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EDITORIAL

As We See It

"The way to get a living is to work for it," a sage subway rider was heard to remark to his companion a few days ago. Some years ago such an observation would have seemed quite banal. To a good many it will probably still sound so. Yet if one follows the maneuvering of various politically organized groups in this and other countries, and if one gives heed to what is said and done in a number of lands where American dollars are being poured out with unparalleled generosity, one must wonder if this trite observation should not be blazoned across the sky for all to see.

Turn first to the domestic political scene. Note the concern with which the major parties view the possibility of losing the support of the farmers, and their willingness—particularly, perhaps, the Democratic party—to pay out huge sums to help the farmer make a living. The agriculturist has long been—we had almost said always been—a darling of the politicians. Probably no other element in the population has for so long been so heavily subsidized. Free seed, free advice, free this and free that are a story which goes back the memory of man runneth not to the contrary. In President Wilson's day, aid in the form of abnormally cheap credit was provided. Heaven knows what this type of subsidy has by now cost the rest of us; cost the rest of us not only in losses on loans which had to be made good by some one or other, but in terms of higher prices than otherwise would have had to be paid.

The farm failures of the 1920's were, of course, in no small part a result of the loans and the price subsidies afforded the farmer during World

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The Coming Decline In the Stock Market!

By ARNOLD BERNHARD*
Editor, Value Line Investment Survey

Market economist asserts current stock prices may look high in relation to the earnings and dividends that will be reported next year. Maintains investors have turned to the fleeting "delusion" of inflation to support their hope of higher prices. Foresees declining investment in new capital equipment and increasingly damaging tax squeezes. Hence forecasts a market drop of about 20%.

It is my view that the stock market will readjust to a level about 20% below the current price level during the next 12 months. In terms of the Dow-Jones Industrial Average, this would mean a drop of some 60 points, from 280 to 220. There may be a minor upsurge of prices before the drop occurs but I think it will amount to little on a percentage basis.


Arnold Bernhard

The reasons for this view are first, the current high level of earnings and dividends is not holding and in my judgment will not hold in the next 18 months. Second, the market itself gives evidence of lack of confidence in the current rate of earnings and dividends, as will be explained later. Third, in the face of declining earnings and dividends, the market has turned to a delusion—inflation—to support its hope of higher prices. And delusions don't last.

Converse of 1946

The present market is almost the exact opposite of the market of 1946. Then stock yields were low and price earnings ratios were high. But the earnings and dividends in prospect during the next 18 months—looking forward from June, 1946—were far greater than those

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*A talk by Mr. Bernhard who is also President of Value Line Fund, before the New York Society of Security Analysts, Schwartz's Restaurant, New York City, Aug. 5, 1952.

What's Ahead for the Market?

By LUCIEN O. HOOPER*
Market Analyst, W. E. Hutton & Co.
Members, New York Stock Exchange

Market analyst maintains stocks are not as high as they look, and on criteria of earnings and yield are cheaper than in 1929, 1930 or 1946. Predicts November election results will cause no more effect than possible short-lived emotional speculative spree. Emphasizing market's selectivity, Mr. Hooper concludes investor's current objective should be to get into "right" stocks, not cash.

To decide what stocks are likely to do in the future, it may be helpful to study the present condition of the market, and to do so in some detail.

Regardless of its now well-advertised mathematical shortcomings, the Dow-Jones Industrial Share Average is watched by more people than any other measurement of stock prices. This average now is around 280, or at the highest price since April of 1930. At the same time, the Dow-Jones Rails are at a higher price than at any time since March, 1931.


L. O. Hooper

Recently, according to orthodox Dow Theory, a new high has been recorded in the Industrials, placing that index in gear with the Rails and establishing a re-confirmation of the broad upward trend.

Not as High as They Look

Stocks, however, are not as high as they look, and certainly not as high as in 1930, or 1929, or even 1946. The equities traded on the New York Stock Exchange and elsewhere are, for the most part, better equities than in past years. Because of reinvested earnings, the growth of the economy and the much higher standard of living, they represent more assets, more earning power and more

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*A talk by Mr. Hooper before New York Society of Security Analysts, Schwartz Restaurant, New York City, Aug. 5, 1952.

SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 25.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Southern Pacific Railway—Dr. W. W. Cumberland, partner, and Morris Peckman, security analyst, Ladenburg, Thalmann & Co., New York City. (Page 2)

Consolidated Vultee Aircraft Corporation—Stanley Heller, partner, Stanley Heller & Co., New York City. (Page 14)

DR. W. W. CUMBERLAND
Partner and
MORRIS PECKMAN
Security Analyst
Ladenburg, Thalmann & Co., New York City

Southern Pacific

Recently rails and industrials advanced to new highs since the early months of 1931. Unless affirmative reasons can be adduced for making new investment commitments, one would be well advised to give close attention to the time and to the degree which this bull market has run.

W. W. Cumberland Morris Peckman

Investment conclusions must be related to the environment in which we live, to the major trends in industry, to governmental policies and to many other factors which are relevant. Accordingly, selection of a specific investment vehicle should meet the tests of being favorably priced in relation to other stocks, of representing unusual strength in its own industry, of more than usual ability to withstand adverse developments, and to a record of achievement which justifies purchase in accordance with the ordinarily accepted canons of investment finance.

Southern Pacific meets the foregoing criteria. On the basis of earnings and yield this stock is relatively attractive. This is demonstrated by Table I, which shows the performance of Southern Pacific as compared with other roads in its general territory.

Physical and financial improvement has occurred to a degree that it is not inaccurate to state that there are no immediate problems which the railroad has to face. For example, working capital has increased from a nominal figure of $12.5 million in 1939 to $260 million, including $141 million in cash, on May 31, 1952. Funded debt declined from $705 million in 1939 to $608 million at the close of June. Fixed charges in the same period declined from approximately $30 million to $20 million. Southern Pacific's capitalization, after giving effect to bond conversions, consists of $608 million of system debt and 4,405,707 capital shares outstanding. A total of $6,080,400 3% convertible debentures remain to be converted, and when these are exchanged capital stock will consist of 4,527,315 shares. Stockholders on Aug. 5 approved a two-for-one stock split.

One of the major transformations of this road has been its extensive program of dieselization. At the close of 1951, Southern Pacific was about 60% dieselized with a total of some $180 million estimated to have been spent for that purpose. Further progress will be made in subsequent years, with gratifying effects on operating ratios.

Other important physical improvements include installation of centralized traffic control and classification yards. There is some irony in the fact that Southern Pacific was not in financial position to double-track its main lines at the time when Santa Fe was engaged in this task. It was supposed that Santa Fe would have an important competitive advantage. Actually, the reverse has occurred. At about this period centralized traffic control was developed, and Southern Pacific by utilizing this device increased its ability to handle traffic by more than 70%, and at limited cost. In addition, Santa Fe is weighted with the expense of upkeep for two tracks and taxes on its greatly increased capital investment, whereas Southern Pacific has realized almost the same ability to handle traffic, with no great increase in fixed charges or taxes.

Assembly of freight for long haul shipping, as well as distribution at important terminals, are expensive processes. In fact the poor showing of one major eastern road is believed to be explained principally by excessive costs at terminals. Southern Pacific has expended considerable money and more ingenuity in solving this problem. At principal terminals it now has some of the finest classification and distribution yards in the United States.

Territorial and population factors also add to the attractiveness of Southern Pacific. Its 12,423 miles of mainline track extend from centers of population in the Midwest and Southwest to other great centers of population on the Pacific Coast, as far north as Portland, Ore. Thus its average haul for freight was 441 miles in 1951, which is third highest in the United States. Approximately 65% of total freight traffic handled is originated on its own lines, and over 66% terminates on the line. These are unusually high ratios. Major freight sources include Oregon (lumber); California (perishables, oil, miscellaneous); Arizona-New Mexico (perishables, minerals); Nevada (minerals); Texas (cotton, sugar, salt, lumber); Louisiana (agricultural products).

Southern Pacific territory has gained in population three times as rapidly as the remainder of the United States. The eight states served by Southern Pacific showed over the past decade a population increase of 34%, compared with a rate of 11% for the other 40 states. This cannot help but have a favorable effect on traffic.

In addition, economic activity in this area has also expanded much more rapidly than for the country as a whole. As stated in the annual report for 1951: "Industrial expansion in the western and southwestern regions served by Southern Pacific is keeping pace with increases in population. More than 550 new industries served by spur tracks were established by system lines in 1951, an average of 1.5 for each calendar day." Total tonnage of revenue freight increased 8.3%, and revenue ton miles increased 7.1% in 1951 over 1950. Average revenue per net ton-mile increased 1.3% to 1.374 cents.

In addition to expansion of traffic, Southern Pacific has been relatively successful in controlling operating efficiency. Once more to quote from the annual report for 1951: "Gross ton miles per freight train hour, the key index of efficiency of train operation, reached an average of 48,384. In 1944, the peak traffic year, the average was 33,301."

Operating revenues of approximately $648 million during 1951 were about 40% above the 1942 figures. Fixed charges were fairly well covered, averaging 3.02 times for the past ten years. For the same period earnings per share averaged $12.25. Pertinent income account items for a series of years are shown in Table II.

For the first six months of 1952, revenues were $341 million, an increase of 7.5% over 1951, with earnings per share estimated at $6.80 compared with $4.86 in 1951. On May 22 the quarterly dividend was raised to $1.50 from $1.25 paid previously.

Many persons are unaware of the important investment which Southern Pacific holds in St. Louis Southwestern Railroad and in Pacific Fruit Express. Each of these companies is a substantial business in its own right, St. Louis Southwestern, or Cotton Belt as it is known, having revenues of some $70 million in 1951, and Pacific Fruit Express handling a volume of business of some $64 million in the same year. Southern Pacific owns more than 88% of the combined preferred and common stocks of St. Louis Southwestern, and it controls Pacific Fruit Express on a basis of equality with Union Pacific. During recent years St. Louis Southwestern has been phenomenally profitable, with a major portion of earnings being utilized to reduce debt and to place the physical property in first-class condition. For example, earnings on Cotton Belt common stock averaged $45.17 per share during the past five years.

Earnings of Pacific Fruit Express have averaged about $5 million in the last three years, one-half of which accrued to Southern Pacific. Dividends have been meager or nonexistent, due to the fact that Pacific Fruit Express has utilized its financial resources to improve and extend its fleet of refrigerator cars. This task has been almost completed, with the possi-

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TABLE I

	Current Price	Indicated Annual Dividend	Yield	Estimated Per Share 1952	Price Times Earnings
Southern Pacific____	85	$6.00	7.06%	$14.00	6.1
Atchison __________	91	5.00	5.49	15.00	6.1
Chicago Rock Island	68	4.00	5.88	12.50	5.4
Denver Rio Grande	77	4.00	5.19	21.00	3.7
Union Pacific_______	118	6.00	5.08	15.50	7.6

TABLE II

	Operating Revenue (Millions)	Available for Fixed Charges (Millions)	Fixed Charge Coverage	Net Income (Millions)	Per Share Earned	Per Share Paid
1942______	$472.7	$109.0	3.80	$80.3	$22.65	$1.00
1944______	628.2	61.4	2.49	36.7	11.09	2.50
1946______	484.8	48.4	2.09	25.3	6.81	4.00
1948______	587.5	59.1	2.91	38.8	11.60	4.50
1950______	598.3	71.6	3.44	50.8	13.38	5.50
1951______	647.7	66.4	3.25	46.0	11.62	5.50

The Motion Picture Industry And Its Economic Future

By ERIC JOHNSTON*

President, Motion Picture Association of America

Asserting the motion picture industry is alive and kicking, Mr. Johnston contends it has ability and adaptive capacity to meet economic hazards. Says industry is now going through transition period, and cites growth of "drive-in" theatres and improvements in moving picture play houses as favorable developments, despite weakening of movie-going habit through television, increased marriages, rising costs and higher taxes. Calls for more operating economies in moving picture industry.

Today I want to talk to you about the economic present—and the economic future—of the motion picture. This is going to be pretty much of a dollars and cents talk. Better yet — I hope I can call it a common-sense talk about the motion picture dollar.

Eric A. Johnston

And at the outset, I want to make a few things clear.

I didn't come here to be a crepe hanger. We're overstocked on crepe hangers right now—mostly amateur variety. They've got Hollywood festooned in black. They're braiding what's left over into wreaths for the theatres.

To hear these death-watch outsiders talk, you'd think the motion picture was about to join the stereoscope in Grandma's attic—and the motion picture theatre about to shuffle off to limbo.

Ghouls are bad enough, but at least the grave robber doesn't reach for the shovel when the body is alive and kicking.

Alive and Kicking

The motion picture is very much alive and kicking. Don't let anybody tell you anything different. The motion picture is not in the market for a headstone—and it's not a candidate for the probate court.

When I say that, it doesn't mean I'm here to play Pollyanna either. I'm not here to say that everything is fine and dandy in the motion picture industry. It isn't. We don't need outsiders to tell us that. We know it.

But this business of ours isn't shivering in a cold sweat of fear. And it isn't panicked by the portents of tomorrow.

The motion picture industry is supple and adaptive. It embodies more elements of youth than of of age. Its ability to meet the economic hazards of our society is demonstrating itself anew.

The mourners throw some figures at us. Now I'll agree that you can demonstrate almost anything with figures. But there are two ways of using figures. One is what I call the humbug way—and the other is the honest way.

The humbug—the sleight-of-hand artist—starts out with a preconceived idea of what he wants to prove. And he has practically no trouble at all proving it to his own satisfaction—and to the delusion of others who don't keep tabs on him.

The honest way to use figures is to start out with a curious and a seeking mind. You let the decimal points drop where they may—and abide by the result.

I have tried what I believe to be the honest way to look at figures about the motion picture industry. This won't get me a three-column head on page one—or the center spread of a magazine — or 15 minutes on television.

I can't compete for attention with the alarmists who supply steady rations of gloom for breakfast and supper. But perhaps I can give them something more substantial to chew on.

A Transition Period

Our industry is going through a period of transition. There's no doubt about that whatsoever. We are in an evolutionary era—in the full swirl of it right this minute, I'd say.

So let's see where we stand—to get a glimmer of where we are going.

We have lost customers at the theatre.

In terms of boxoffice receipts, the decline on the whole averages 15% to 20%—or approximately $250 million below the 1946 record of $1,600,000,000, including admission taxes.

That's nothing to cheer about, and I'm not cheering. But I am not panicked either.

I can't get panicked because the total number of admissions sold every week—right now—runs close to 55 million. That's a third of all the people in the United States. And it's many times more than all the other spectator amusements pull in together. We're still tops by a wide margin.

So I ask you—can things be all wrong when more than 50 million Americans seem to think we're all right?

Nobody can persuade me that any business with that many loyal customers a week is ready for the auction block!

All right—and so some motion picture theatres around the country are closing. The crepe hangers keep score with macabre-like

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*An address by Mr. Johnston at the 41st Biennial Convention of the International Alliance of Theatrical Stage Employees and Moving Picture Machine Operators of the United States and Canada, Minneapolis, Minn., Aug. 6, 1952.

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Stock Warrants—Will-o'-the-Wisps Of Wall Street

By IRA U. COBLEIGH

Author of "Expanding Your Income"

These volatile chameleons in the field of finance briefly reviewed; and special emphasis is given to that hardy perennial, the perpetual warrant.

The ingenuity of financial minds has, for years, sought techniques for benefiting by the price advance, if any, of common stocks, with (1) a minimum of risk, (2) a minimum of capital, and latterly (3) a low-tax means of reward to worthy executives. For these reasons there have come into being a number of special types of corporation securities dedicated to one or more of these ends.

Ira U. Cobleigh

First, and oldest, is, no doubt, the convertible bond popular as long as fifty years ago. Here the main, or intrinsic security was a bond, often an unsecured debenture, convertible into common stock, usually (at time of issuance) at a price somewhat above existing quotations for said common. Thus, both factions of the investment market might find interest in the item—the investor for regular coupon return; and the speculator in the interesting chance that the stock, and resultantly the bond, might both advance. Current examples of this type would be Dow Chemical 3s of 1982, convertible into common at 150, and Houston Lighting 3¼s of 1967, convertible at 17½.

Then, less frequently, there were bonds convertible into Preferred stock. New Haven Railroad Income 4½s of 2022 illustrate this sort.

The Stock Warrant Bond

Later, a more sophisticated bond appeared — the bond with stock warrant attached. In 1929, Southern Pacific issued, as I recall it, $65 million of 4½s due 1969, bearing a warrant to buy SX common at, I believe, $125 a share. The common sloughed off, so the warrant never rocketed the bond price but still SX 4½s serve as a classic example.

The principle was down-graded, and looking over the issues of the late 20's (and recently) you'll find a number of preferred and preference stocks convertible into commons.

So much for solvent creation of stock calls. Now, let's look at the insolvent or what have been delicately called financial readjustment items.

In 1933, Baldwin Locomotive Works had a lot of bonds coming due at a time when they were light on cash. So they offered each $100 holder 40 warrants to buy new Baldwin common at $5 if he'd take a new note (of same par amount) due 1937, for each maturing item.

Again, in 1945, Ward Baking Company was heavily in the ruck on its preferred. Dividend accruals amounted to almost $2½ million, against $1,300,000 net in 1944. So what to do! Reorganize, of course. (A word I define as: I owe you $10; want to try for $5?)

The old $7 preferred got $25 in new 5½% debentures, $25 in new preferred, and 2½ shares of new common; Class A stock got one new share of common and a warrant to buy ½ share of same; and Class B common which, under more Spartan treatment, might have been rubbed out altogether, got a warrant for ½ a share of new common. Well, today, 7 years later. Ward Baking common sells at 18½; and the warrant letting you buy one share at $15 till April 1, 1956, now sells on the N. Y. Curb at $5.25 a copy.

No dreary history of the obstetrics of warrants is here intended, however. Suffice it to say that they have been born as "sweeteners" for bond or preferred issues, as a bone thrown to down-trodden security holders in reorganization, and as compensation to bankers for underwriting an issue. Not to mention, of course, the orthodox short term offers to stockholders to provide their company capital, by subscribing to X number of new shares at 10% or so below the market. (Also, as a tax gimmick, and an incentive to executives, some 240 companies listed on NYSE have given options of company shares for purchase by key personnel at about 95% of market price).

So we find the warrant quite entrenched in our financial scheme of things even though it's the most baffling and elusive of all the pieces of paper we stash away in our vaults. It's not a bond nor a stock; it's eternally devoid of book value or lien. It's merely an agreement by a corporation to sell a share (or shares) to the holder at a certain price and usually for a limited time; but sometimes with no limit.

Outstanding Price Performance

But we came here not to bury warrants but to praise them! Why, if in 1942 you had bought four hundred Atlas Corp. warrants at 25¢, (half the price of a swig of Bourbon) and four hundred Merritt-Chapman-Scott warrants at the same economy price, you'd have spent $200 for the bale; but in four short years you could have sold out for $10,000, since both these warrants hit $12.50 in 1946. Because of their fabulous leverage, and their splashy performance on little money in bull markets, warrants are alluring; but they can be dynamite if you happen to be riding them the wrong way. For example, Universal Pictures has 218,802 warrants to buy common at $10 until April 1, 1956. The warrant sold at $38 in 1945; and it's quoted at 4½ today.

Current Examples

Warrants further have certain market qualities of their very own. They always seem to sell at more than they're worth. They have sort of a built-in over-spin that gives them price, where no real value exists, and a premium price when mathematical value can be established. Just look over the accompanying current list and you'll see what I mean.

Virtues of Perpetual Warrants

Every one of the warrants shown in the table sells substantially above the difference between option and market price, and, on the surface, they all look a little overpriced. Personally, if you're going to get into this kind of market marker, I think the perpetual warrant is the one to buy as there's enough risk without having time run out on you. Moreover, the early-ripening warrant may have to be exercised; while the perpetual variety goes on forever like Tennyson's brook, and in practice it's almost never used for actually buying stock. Hence, there's a lively market in warrants "unlimited," seasoned heavily with optimism in up cycles. Warrants are the best values in early stages of bull markets, and are seldom worth more than a fourth of the market price of the subject common. They operate in a mathematical relationship to common stock, something like a moon to a planet.

For the sophisticated, there is the market technique of selling the stock short and buying the warrants at the same time; and sold out bulls often like to ride an option warrant like Tri-Continental as a sort of low cost solace (bought out of profits presumably) if the general market continues up.

As a matter of cold fact, for devotees in this field, there just aren't enough perpetual warrants outstanding; and I rather feel the ones we've talked about reflect, in their prices, an element of scarcity value. Why can't some great big company pay an Autumn extra dividend in "forever" warrants? We need a new entry—another will-o'-the-wisp. But, please, no bankruptcies to produce them

Warrants are definitely worth watching, and if your timing is good, there are many opportunities here for market gain. But warrants are the last thing in the world to "put away and forget about!"

Company—	No. of Warrants Outstanding	Stock Option Price	—Aug. 1, 1952— Market Price of Stock	Market Price of Warrant	Expiration of Warrant
Atlas Corp.	1,948,111	$25	27⅞	6⅞	Perpetual
Tri-Continental Corp.	1,008,642 (for 1.27 share)	$17.76	16⅝	4¾	Perpetual
ACF Brill	279,988	$15	6⅞	1⅞	1/1/55
Merritt-Chapman-Scott	37,301 (for 1.47 share)	$27.41	24½	11	Perpetual
Ward Baking Co.	289,802	$15	18¼	5¼	4/1/56

Foresees New Production Peaks

Business Research Department of B. F. Goodrich Co. estimates a 27% rise in production and 15% population increase during decade of 1950-1960.

Production by 1960 may reach an all-time high even if the average work week dips below 40 hours. According to a study of long-range trends compiled by the Business Research Department of the B. F. Goodrich Company, Akron, Ohio.

Because of an expected rise in the total output of goods and services per worker per man hour, a 27% increase in goods is forecast against a 15% increase in population from 1950 to 1960.

New technical developments and more efficient manufacturing methods will probably bring about the expected increase in each worker's productivity, the economists say. And these developments may make new production peaks possible while the average working week drops below 40 hours for the first time in history.

Private business may invest as much as $200 billion in new plants and equipment needed to continue the production rise, according to the analysis compiled by the rubber company to evaluate the prospects and trends in the rubber, automotive and allied industries.

A shift in the age of our population by 1960, according to the report, will mean that the increase in the number of mouths to feed will be four and one-half times as great as the increase in the size of our working force. According to the BFG study, the low birth rate during the depression is responsible for the current relatively low supply of employable people, while World War II's bumper baby crop brings the per-school and school-age groups to a new high.

The rubber company's economists based their study on long-term trends in 10-year cycles and on the assumption that America will not enter an all-out war. Our economy, they say, has always bounced back to these long-range patterns following wars, booms, depressions and other events that cause economic variations.

Additional markets and stepped-up industrial activity caused by higher living standards would, of course, benefit the rubber industry among others, the study shows. Total rubber consumption in 1960 is estimated at 1,600,000 tons—about 62% more than pre-Korea days. Tires, tubes and other rubber products used on motor vehicles account for about three-quarters of our rubber consumption. Industrial and household rubber goods have been increasing in volume, and the experts believe this trend will continue.

Tire production is expected to jump with the predicted increase of 14 million auto registrations in the 10-year period. Although the average motorist will drive 25% more in 1960, it's expected that his tires will last at least that much longer than they did in 1950. The study shows that manufacturers have found ways to improve tire life at about the same rate as the typical motorist increases his mileage. This year, for example, B. F. Goodrich brought out a new tubeless tire that will wear 15 to 20% longer than 1950 tires.

If the rubber company's forecasts are correct, the gross national product of this country will total $364 billion by 1960 (in the same kind of dollars we had in 1950). Disposable personal income—which is the amount left after taxes—should increase from $204 billion to $256 billion.

The total volume of goods and services produced per man hour in 1960 is estimated at $1.51, or 27% higher than the $1.19 rate of 1950, the economists said.

Jos. McManus & Co. Announces Expansion

Graham Walker, managing partner of Joseph McManus & Co., 39 Broadway, New York City, members of the New York Stock Exchange, announces the extension of the firm's correspondent wire system and the expansion of its Trading Department.

New private wires now connect the firm with correspondents in Chicago, Dallas, Detroit, Kansas City, New Orleans, St. Louis and Toronto, in addition to the former correspondents in Cleveland, Harrisburg, Houston, Pittsburgh and San Antonio.

George Dedrick has been appointed Manager of the firm's Trading Department, and Sidney Feibleman, Frank Fitzpatrick and E. Michael Growney have become associated with the McManus organization. Mr. Feibleman was formerly manager of the Trading Department for Stern & Co. Mr. Growney was with York Affiliates, Inc.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Following the settlement of the 55-day steel strike over-all industrial output for the nation rebounded noticeably. However, many steel consuming industries were expected to falter for at least the next few weeks while the steel supply pipelines begin to refill. Meanwhile, aggregate industrial output continues to hold moderately under the level of a year ago.

With the ending of the steel strike employment revealed a mixed trend. Some firms stepped up back-to-work movements. But others, their steel stocks depleted, slated new layoffs. Three railroads, the Pennsylvania, Baltimore & Ohio, and Reading, announced they were recalling thousands of workers furloughed because of the steel strike.

Nash Motors will resume auto production and take back 11,000 employes on Aug. 18 at its plants in Kenosha and Milwaukee, Wis. The Nash West Coast assembly plant, however, after operating all July, shut down on Monday of this week for the remainder of August. Production cutbacks were also announced by Pullman-Standard Car Mfg. Co. and Allis-Chalmers Mfg. Co., farm machinery maker, because their steel has been used up.

Living costs, which hit a new high in mid-June, have gone up some more since then. Retail food prices rose 1.2% to record a new high in the first half of July, the Bureau of Labor Statistics disclosed.

Sparking the climb was an 18% spurt in the price of eggs. The bureau's food price index on July 15 stood at 235.1% of the 1935-39 average. This was a 15.8% rise since Korea.

Wholesale prices also have pushed ahead for three successive weeks, according to the bureau. The upturn in the week ended on Tuesday of last week amounted to 0.3%. This brought primary market prices up to 111.5% of the 1947-49 average.

Opinion is divided on how long it will take to overcome the handicap imposed by the steel strike, according to a special survey by "The Iron Age," national metalworking weekly. Military and controls officials in Washington are most pessimistic, estimating that production in some vital lines will be hampered for a year. Most manufacturers expect steel shortages for six to nine months. Steel producers, strangely enough, are most optimistic of all, expecting the pressure to ease by the first quarter of 1953.

A detailed analysis of reasons, however, shows the opinions of these three groups are not really far apart, states this trade weekly. Military and controls officials are pessimistic because the shortest and most urgent items are forcefully brought to their attention—even though they frequently represent minority tonnage. When over-all production becomes more than adequate these people will still be concerned about spot shortages of special, hard-to-make alloys for, say, the aircraft program.

Optimism of steel producers at the other extreme stems from confidence in the productive capacity of their own companies, and their expanded facilities. While some people still think in terms of 100 million ton capacity, annual steel capacity now exceeds 112 million ingot tons.

This week steel buyers are descending on the mills in droves. They are intent on preventing collapse of their manufacturing operations, or restoring production if plants are already down, states "The Iron Age." Most of them will be disappointed, since the mills will have no open space for the rest of the year.

Warehouses were cheered by the first trickle of mill shipments. But these token amounts won't go far toward healing their inventory wounds. Warehouse stocks are now estimated between 25 and 40% of normal. Such limited inventory makes service difficult regardless of priority.

Conversion is back with a bang. As usual, auto producers are working it to the hilt. Appliance manufacturers are also following the devious conversion trails. But caution prevails. Manufacturers are reluctant to make conversion commitments beyond

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Trends in Corporate Bond Financing

Pamphlet issued by National Bureau of Economic Research furnishes data on investment experience with domestic corporate bonds since 1900 and the economic implications of the new bond flotations.

A study just issued by the National Bureau of Economic Research, entitled "Trends and Cycles in Corporate Bond Financing," prepared under direction of W. Braddock Hickman, furnishes interesting data on investment experience with domestic corporate bonds since 1900, as well as an analysis and interpretation of the economic implications of fluctuations in corporate bond flotations. The paper is a forerunner of a full volume which will contain an unprecedented aggregate of statistical and other data bearing upon corporate bond issues. These and other publications planned for the Corporate Bond Research Project, it is said, will throw new and detailed light on the economics of bond financing by corporations in the United States

Dr. W. Hickman

The Corporate Bond Research Project of the Bureau forges another link in its quantitative research program on national income, prices, investment, money markets and business cycles.

In tracing the trends and cycles of corporate bond financing, Dr. Hickman developed his theme against the broad background of economic development since the latter part of the last century. The data on which he based his conclusions were compiled with the cooperation of numerous public agencies and private investment services.

The paper is a summary of a larger study on the volume and significance of debt, and investment experience in corporate obligations. It touches on the broad trends of aggregate corporate bonded indebtedness since 1900, and compares the current levels with those of the past. It studies the shifts that have occurred in the major industry and size components of the aggregate, and the position of corporate bonds relative to other types of debt.

The principal factors influencing the volume of new bonds offered to investors and the volume of old bonds extinguished are further aspects of the study. Included is an exhaustive analysis of how the debt series behaved during business cycles and over longer periods. The relation between interest rates and corporate financing gains fresh illumination in the survey.

Much incidental information is presented on the aggregate experience of investors in corporate bonds. Interest payments, the volume of bonds going into default, and the time required to settle default situations are indicated. Numerous charts illustrate the trends and findings.

The survey contains much that is illuminating for the general investor, while for professional bond men it will prove an indispensable source book. It explores many of the accepted traditions of

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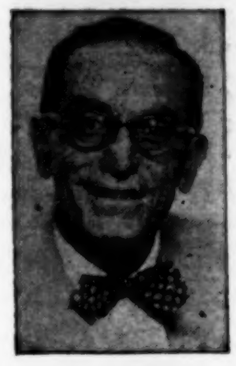
Observations . . .

By A. WILFRED MAY

"Postmarked Moscow"

Midst the various weighty tomes "on Russia" brimming over with learned political theses and economic documentation, what a cheerful surprise it is to get a little book with a light touch as the compendium of letters from the pen of Mrs. ex-Ambassador Alan G. Kirk (**Postmarked Moscow, by Lydia Kirk; Scribner's, 278 pp., $3).**



A. Wilfred May

Despite her catty style and first-glance superficiality, Mrs. Kirk contributes a shrewd, able and quite important account of Russian "housekeeping" details — authoritatively confirming and elaborating on this columnist's own recent first-hand impressions.

Following the resignation of General Walter Bedell Smith in the spring of 1949, the authoress with her Ambassador husband were transferred from his Belgian mission to Spasso House, that immense neoclassic palace (built in 1912 by a rich businessman who married into nobility) which serves as our Embassy in Moscow.

Mrs. Kirk's down-to-earth account of everyday Russian life is communicated through a series of letters to their two daughters and son from the time of their arrival to their final departure in October, 1951. From her vantage point in that crucial period of deterioration in Soviet-American relations, the author makes a surprisingly worthwhile contribution to our political and social understanding by covering "the light side" details as conversation at a tea with Madame Vishinsky; women's clothes; the servant problem; street traffic habits and regulations; Mrs. Gromyko's attitude, and treatment of the foreign diplomatic corps at public functions as Stalin's birthday celebration.

Midst the breezy account of daily doings, the letters frequently intersperse wise yet simple political observations. For example, one-fifth of the way through the volume she voices the conclusion that, despite the many inconveniences, the general-building-up of revolt is impossible because they are keyed to the "hope that life will be better for their children. They are told it will be, told over and over again with the same fervor with which the priests once promised their fathers and mothers paradise in heaven."

Of Sewage and Subway

Among the "housekeeping" deficiencies recounted are the faulty plumbing and heating in even the best Moscow homes, which together with the city's crude sewage (leaving the streets flooded in the April thaws) are significant because of their contrast with the lavishly adorned, if abbreviated subway—the latter being one of the Soviet Government's typical psychological investments; a defiant gesture toward the West and "a promise of things to come in a brave new world that is very convincing."

Similarly significant as well as interesting is Mrs. Kirk's account of the lavish food-serving at official and semi-official functions where foreigners are present—again currently exemplified for us by their lavish display of party hospitality to our Olympic athletes, caviar-and-vodka treatment that, despite our nation's so-far higher standard of living, we could barely offer to reciprocate with a cafeteria lunch.

That Unceasing Line-Up

To this columnist the volume's attaching of importance to the widespread queuing rings very true, as a cause of discontent.

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From Washington Ahead of the News

By CARLISLE BARGERON

General Eisenhower is unquestionably showing more finesse with the "Citizens Movement" for him than either Wendell Willkie or Tom Dewey. But this movement will plague him throughout his campaign, nevertheless. There is no justification for such movements; they come out of the brains of smart organizers who have never had any standing in professional American politics but who hope to short-cut the old line politicians to fame and fortune.


Carlisle Bargeron

Now, let us see just what this Citizens Committee for Eisenhower means. After several days of deliberations at Denver, a so-called compromise has been reached. It seems that the appointed leaders of this great popular movement, seemingly self-appointed, insisted that although the Republican National Committee should finance them, they should be completely independent and should "report" to the General directly. Why? Should they not be content as volunteer, nonpolitical citizens to render a service to the country? No, they want the General to know what they are doing so they will be able to demand recognition. They thus become not the slightest bit different in motives from the old line politicians. Their purpose is not service to the country but self aggrandizement.

My understanding is that some sort of a 50-50 arrangement was worked out whereby there will be a coordinator to coordinate their activities with the National Committee. I am not sure that I know just exactly what this means and perhaps the compromisers don't either.

As I understand it, the purpose of this independent movement is to take in voters who are fed up on the corruption of the New and Fair Deals, who feel strongly that "Trumanism" is leading us down the road to ruin. But they can't for some reason or another which only they themselves can attempt to explain, vote Republican. The purpose of the Independent Citizens Committee then is to persuade them, not to vote for this or that Republican Senator or this or that Republican member of Congress, but to vote for Eisenhower.

If it were to work out, you can imagine what a hodge-podge it would accomplish, perhaps Eisenhower with a Democrat or a New Deal Congress and it is my conviction that this is just exactly what some influential segments of our citizenry would like to attain. Consider what this citizens movement, if it prevails, would bring about. In Ohio, Senator Bricker would be defeated but Eisenhower would win; in Indiana it would be the same with Jenner losing and Eisenhower winning and so on in many other states.

You see, this independent movement which is, of course, just as practical, as the Republican organization is not endeavoring to bring the Republican party to power, just Eisenhower.

The same thing was had in the 1948 campaign with the Dewey-Warren clubs throughout the country and there was the similar, more pronounced, situation in the Willkie campaign.

I am particularly versed in how this worked out in one state, in 1948, in Tennessee. The Scripps-Howard papers in Memphis and Knoxville and the New York "Times"-owned Chattanooga "Times" were ordered to support Dewey but were given autonomy in state affairs. Therefore, they campaigned for Dewey but insisted that Carroll Reece, the Republican candidate for the Senate, would be a hindrance to him because Dewey was a "liberal" at heart and Reece was a reactionary.

And giving support to them was the Dewey-Warren Movement in the state, the Chairman of which at one time sent out letters to contributors to the effect they were to pay no attention to Reece but should send their contributions to the Dewey-Warren Treasurer who would be the distributor of favors in Tennessee when Dewey was elected which he was, according to the Gallup Poll, sure to be.

Now, manifestly, the concept of our government is the two-party system. I don't know just what you accomplish this time by voting for Eisenhower without voting for the Republican ticket. If you simply vote for the General then you are voting for personal government, for a leader, for der fuehrer, in the same way the Germans and the Italians did, the same way in which the Americans did under Roosevelt.

It is a little disheartening to see, again, a "citizens" movement to this end. General Eisenhower, to his great credit, has emphasized that he is running as the candidate of the Republican party. Willkie certainly never said anything like this and neither did Dewey. The "citizens" movement in his behalf is not only in ignorance of our traditions that we elect parties in this country and not personalities, but it is also more likely to defeat their hero, the man with whom the leaders of this movement hope to be able to forsake their mere citizenship status and come to be political leaders. They are, in all truth, a pain in the neck to any candidate and they will be more so to the General.

Speculators in Sterling

By PAUL EINZIG

Dr. Einzig points out obstacles to speculation in British exchange, and asserts there is no possibility of bear raids against sterling, such as occurred in 1931. Says, because of low level of Britsh gold reserve, there is every reason to view with concern any large scale speculative movement.

LONDON, England — Speculation in sterling in the sense in which it existed during the inter-war period is now strictly limited by the operation of exchange control, in spite of the restoration of the London foreign exchange market towards the end of 1951. Forward exchange facilities are reserved for commercial purposes, and even if this discrimination cannot be made watertight the extent of its evasion cannot be on a very large scale. There is nothing to prevent speculators from operating in sterling in foreign markets but overseas banks are not in a position to cover themselves if they sell sterling short on a large scale on behalf their customers, because British banks are not allowed to grant them overdraft facilities. There is, therefore, no possibility of bear raids against sterling such as we witnessed in 1931 and on various other occasions in the 'twenties and 'thirtes


Dr. Paul Einzig

Nevertheless, the postwar period witnessed from time to time sweeping speculative pressure on sterling. There are ways of doing this other than selling forward sterling or borrowing spot sterling and selling it. One of the widely practiced methods is for importers of British goods and other debtors in sterling to defer their payments as long as possible in the hope of a depreciation or devaluation of sterling. Importers who distrust sterling are also inclined to defer their puchases of British or Sterling Area goods, in the hope of being able to buy later with the aid of cheaper sterling. There is a limit to both practices. Debts have to be paid sooner or later, and importers whose stocks of British or Sterling Area goods have become depleted have to replenish them sooner or later. Even so, the amounts involved in these methods of speculating against sterling is believed to attain very considerable figures from time to time Allowing for speculation through evasion of the exchange regulations, the total amount involved must at times surpass the figures of speculative positions during the inter-war period, owing to the fact that in the meantime figures of international trade and finance, like financial magnitudes in general, have risen considerably. There is reason to believe even in the absence of statistical evidence that in 1947, in 1949, and again in 1951, the totals involved ran into hundreds of millions of pounds.

On these three occasions the drain on the gold and dollar reserve was due to a very large degree to the attitude of those who were speculating against sterling in one way or other. This factor greatly accentuated the effects of the adverse trade balance. In 1947 it forced the Government to suspend the ill-advised and premature convertibility of sterling. In 1949 it forced the Government to devalue sterling. Had it not been for the measures taken by the new Government in 1951-52, that experience might have repeated itself by now, though it is not unreasonable to suppose that had the General Election confirmed the Socialist Government in office Mr. Gaitskell would have felt impelled to take as effective measures as Mr. Butler did.

What is important is to realise that the British gold reserve is liable to undergo fluctuations running into hundreds of millions of pounds as a result of the pessimistic or optimistic views taken by speculators in sterling. If the gold reserve were much larger the British authorities could afford to view these speculative movements with equanimity. Sooner or later the short positions in sterling have to be covered so that in reality they constitute a hidden reserve. The larger the short positions, the larger the potential increase of the gold reserve, even though the authorities are not in a position to benefit by that potential reserve at will but depend for it on the moods of the speculators. Unfortunately owing to the low level of the gold reserve there is every reason to view with concern any large-scale adverse speculative movement. The realtively small size of the British gold reserve is in itself an encouragement to speculators.

One of the favourite arguments of those who wish to return to the "elastic" sterling is that it would provide the authorities with opportunities for discouraging speculation against sterling During the 'thirties the Exchange Equalization Account succeeded in inflicting heavy penalties on speculators on repeated occasions by allowing sterling to depreciate first and then engineering a bear

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American Securities New Phila. Branch

PHILADELPHIA, Pa.—American Securities Corp. announces the opening of a Philadelphia office under the management of John R. Woolford at 123 South Broad Street. A direct private wire will be maintained to the firm's New York office.

American Securities Corp. also has offices in Boston and Chicago.

Mr. Woolford entered the investment business in 1925 when he became associated with the Guaranty Company of New York. He joined R. W. Pressprich & Co. in January, 1931 and continued with that firm until he resigned to head the Philadelphia office of American Securities Corp.

Born in Suffolk, Virginia, Mr. Woolford was educated at the University of Virginia. During the war he was on active duty (1942-1945) in the Naval Reserve. He is a member of the Bond Club of Philadelphia, Racquet Club and the Philadelphia Country Club.

Model, Roland, Stone Open Municipal Dept.

Opening of a municipal bond department under the management of Reginald A. Ward was announced by Model, Roland & Stone, 120 Broadway, New York City, members of the New York Stock Exchange. Mr. Ward, formerly with The First Boston Corp., has been engaged in the municipal and general securities business for over 25 years. In 1938 he organized R. A. Ward & Co. Inc., dealers in municipal bonds. Mr. Ward saw military service in both World Wars. In World War II he served on Gen. Eisenhower's SHAEF staff and later in the Office of the Chief of Staff, Washington, D. C., under Gen. Marshall and Gen. Eisenhower. He retired with the rank of Colonel in July 1950.

With MacNaughton Firm

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich.—Ruben Michelson is with MacNaughton-Greenawalt & Co., Michigan Trust Building, members of the Detroit and Midwest Stock Exchanges.

Two With Waddell Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Ernest C. Dearing and Emmett L. Roach have been added to the staff of Waddell & Reed, Inc., 1012 Baltimore Avenue.

Causes and Remedies Of the Dollar Shortage

By The RT. HON. G. E. P. THORNEYCROFT, M.P.*
President of the Board of Trade (Great Britain)

Speaking before the American Chamber of Commerce in London, British cabinet officer ascribes dollar shortage to: (1) decline in U. S. foreign importations relative to domestic production; (2) heavy increase in U. S. output of goods since World War II, and (3) shift of U. S. imports from Europe to North and South America. Wants U. S. to consume more British goods, and points to handicaps due to U. S. customs barriers and to "Buy American" acts of Federal and State governments. Points out lower U. S. tariffs would be better than "taxes at home and charity abroad," and calls for "fair deal for British traders."

I am sure you will forgive me if I say that I cannot help finding a peculiar irony in your inviting to talk on our dollar problem a member of a Government whose eighteenth century predecessors were responsible for its creation. For the sad fact is that the story of Anglo-American trade is nowadays simply a story of the dollar problem, a story of a desperate battle to sell enough overseas to pay for the food and raw materials and the manufactured goods we need, not only from you but from the world.

G. E. P. Thorneycroft

Some of you, I hope not many, may think that if this battle for our economic survival is a desperate one, it's only because it's being mismanaged by the generals. That is very far from being the truth. Here on this island a population one-third that of the United States has to support itself on an area less than Colorado or Wyoming. A quarter of our entire national wealth was shot and blasted away by the second world war. And so we have to pay our way in these conditions in an increasingly competitive world or starve. That's why our weekly butter ration wouldn't do for a drugstore breakfast. That's why we have to wait four years if we want a new car.

But of course, our problem is only part of the world-wide economic problem of the free peoples—the lack of balance between the dollar and the non-dollar worlds. But you might ask why the dollar world should be concerned by this. It never happened before the war; why should you care if we can't keep up with the Transatlantic Joneses. And let me just say before going any further that I shall be as objective and dispassionate as I can. The increasing self-sufficiency of the United States, about which I shall have something more to say in a moment, represents without a doubt one of the main reasons for the dollar shortage. But this growth in self-sufficiency has been at least partly due to technological advances and the exploitation of new resources in the United States, to some energetic twentieth century pioneering which has enriched your country. And in another field it is probably true to say that in some cases nations wishing to sell to the United States have failed to control inflationary tendencies sufficiently in their own economies to enable them to sell as much as they ought to have done, despite the difficulties of the situation.

*An address by Mr. Thorneycroft at a luncheon given by the American Chamber of Commerce, London, Eng., July 22, 1952.

The Causes of the Dollar Shortage

So, having said this let's see how this economic division between the dollar and the non-dollar worlds came about. The first significant fact, I think, is that although America is buying more and more from abroad the ratio of her imports to her production has gone down steadily. For most countries the ratio of imports to production is pretty high. For us it is about 20 to 30%, and in the cases of Norway and Belgium, for instance, about 40 to 50%. For the United States it is not only pretty low but it has been going down steadily. Valuing this comparison throughout at present day prices, imports into the United States in 1929 — the last year before the great depression, and the last year before the Smoot Hawley tariff—accounted for 5.2% of the American gross national product. In the years 1939-41 it moved down to 3.8%. And in the years 1946-50, despite all the European dollar export drives, it moved down still further to 3.5%. And the same ratio applied only to United States imports from Western Europe is even more striking. Imports from Western Europe before the first world war amounted to about 2% of the American gross national product. In the nineteen-twenties this had dropped to 1¼%, in the nineteen-thirties to three-quarters of one per cent: after the war to less than one-half of one per cent.

The second significant fact is the doubling of American production under the forced draught of the second world war. So that with most of the rest of the world fighting poverty and inflation, and the primary producing countries wanting industrial equipment which only the United States could provide, the dependence of the rest of the world on the United States has grown. The third significant fact is, I think, the great shift of United States imports since before the war from Europe to North and South America. Before the first world war half of United States imports came from Europe; between the wars 30%; since the second world war only 15%.

These trends and figures may seem remote and barren. But there is nothing remote about their effect. It means that the world beyond the frontiers of the United States has to buy more American goods than it can pay for, and would like to buy even more but can't. It has meant a huge gap between America's imports and her exports. A gap which the United States has covered since the war with gifts and loans and the great concept of Marshall Aid, and covered in a way which has won our admiration. For do not forget, when you hear a small minority in this country raising shrill voices against things American that the great majority of our citizens honour and respect the generosity and farsightedness of the way in which the New World has helped to rebuild the Old. We know that this has meant self-sacrifice for America. We in this country of course now rely on you only for defense aid, the result of the sharing of the resources of the free world for the defense of freedom. But we know that you are paying and have paid taxes so that the whole of the Foreign Aid program can go through. And taxpaying is something of which we have great experience and which provokes us to ready sympathy.

But aid on the one hand, whatever it is called, and restriction of trade on the other, don't really mean that trade between our two countries is satisfactory. We believe, as you do, in expanding trade and not restricting it. And the one way we can and want to alter the present state of affairs is by increasing our exports to the United States. As my colleague, Mr. Butler (Chancellor of the Exchequer) has said, "Trade not aid," should be our slogan. And after all, there would not seem at first sight to be many reasons why we can't increase our dollar exports. Sales of British manufactured goods in the States amount to only one-tenth of 1% of the sales of American manufacturers. And our exports to the United States are very little more than they are to New Zealand—with a population no less than seventy-five times smaller. But of course you will say, this is where we came in. We have heard all this before. If you want to buy our goods, get selling yours in the States. The market's big enough. There is nothing to stop you.

But isn't there? Let's look at what does confront a manufacturer in Europe who tries to close the dollar gap by selling to the States. **First**, although the Smoot Hawley tariff has been greatly reduced over the last eighteen years you will not forget Mr. Paul Hoffman's words of only three years ago that "many American tariff rates still remain high and in some cases prohibitory on a wide range of products many of which are non-competitive with United States goods." **Secondly**, your Customs procedure, which as the authors of the still-born Customs Simplification Bill recognized, is not exactly designed to make it easy for anyone to import anything into the United States. **Thirdly**, the Federal Buy American Act and the similar legislation of many states and municipalities. True, two of our firms have recently managed to get sizable contracts for United States government projects. But the field of public procurement in the United States has up to now been pretty well reserved for domestic manufacturers. It is a large field. In 1950, Federal, State and municipal purchases amounted to fifteen thousand million dollars. If we in the United Kingdom had secured only 2% of that business in that year we should have doubled the value of our exports to the United States.

U. S. Trade Barriers

And that's not all. Not only are there three thousand miles of ocean and formidable man-made barriers against European exporters, but they may be increased. Under the Escape Clause procedure of the Trade Agreements Extension Acts of 1951 applications can be made for tariff relief by United States industry. Over the last fourteen months there have been sixteen such applications, of which eight directly affected United Kingdom export trade, valued last year at over eleven million dollars. In the last couple of days yet another has been announced. We have been relieved to hear recent decisions of the United States Tariff Commission dismissing applications in respect of motor cycles and blue cheese. But other verdicts we have to wait for in suspense. If they are unfavorable to us they would strike a very heavy blow against our solvency and the prosperity of Western Europe.

And all this means something more. Americans tell us that if our manufacturers want to break into the United States market they must study the market, use scientific methods of salesmanship, and use the right advertising. That means spending money. A lot of our traders, as you well know, have been doing that. But if they get the idea that as soon as they begin to make an impression on the market, new barriers are going to be raised against them, many will be deterred. And that's no way to close the dollar gap.

The point I want to make today is that the United States seems to be trying to solve the problem of its own gigantic surplus with the outside world without doing more than tinker with the very trade barriers which date from the time of the great depression. In fact some of your industries want to go even further and raise the barriers. But this seems to me to ignore all the fundamental causes which I mentioned earlier of the dollar gap—your increased self-sufficiency, your vastly increased production, your vastly strengthened competitive position. It seems to me in fact to be tackling a modern problem with out of date weapons. And what is the result? For you it has meant taxes at home and charity abroad. None of us, in the United States or here, or elsewhere in Western Europe, can really think that this is the best solution. It is no part of our hopes and wishes that the citizens of the United States should tax themselves into poverty in order that their country might become the soup kitchen of the Western World. We want to pay our way, to sell more to you, so that in the long run, and it must I am afraid be the long run, we can buy more from you. And so we ask for a fair deal for our exporters, for a chance, if we send goods across 3,000 miles of ocean, of free and fair competition with your own producers. We ask in fact for the free competition which has been the mainspring of your country's expansion and the glory of its tradition.

Wants Fair Deal for British Traders

If I have today been frank, I am sure that you would really prefer that to empty smiles. We don't want the graveyard unity that reigns east of Berlin. We know each other well enough to be able to discuss things in the open. For our friendship has been forged not only by the fire of war, but by our joint pursuit of the aim outlined at Gettysburg "that Government of the people, for the people, by the people shall not perish from the earth." It is in pursuance of those aims that I have asked today for a fair deal for our traders—no more and no less. Knowing that we ask this not for ourselves alone but for all of us, for our citizens and the American taxpayer, for the whole of the free world. And if some of you think that I have ignored the realities of the American scene, I would only ask you in parting to remember the words of a great American speaking half a century ago. The scene was very far from being unreal. It was a Pan-American Exhibition in Buffalo. And the man was, I think, as great a realist as any of his day. He was in fact a great Republican statesman, one of the main architects of the United States tariff. And on this sunny afternoon in Buffalo in September, 1901, the President of the United States, William McKinley, spoke about the economic relations between America and the outside world. He referred to the great increase in American production, to the possibility that tariffs might not be needed for revenue or protection, and then went on to say: "We must not repose in the fancied security that we can forever sell everything and buy little or nothing." Many of the projects mentioned in his speech, and which were once only part of the American dream, have come true. The Panama Canal has been built, tthere is an American Merchant Marine, the Pacific cable has been laid. And if, fifty years after these reflections of his on the growth of America's competitive position, America has expanded beyond his wildest dreams to become the power-house of the world, his words then deserve to be considered now.

Enterprise—Free or Otherwise

By JOHN FARRELL*
Executive Manager, Edes Manufacturing Company, Plymouth, Mass.
Consulting Management Engineer, Singmaster & Breyer, New York City

Deploring attacks on businessmen, Mr. Farrell traces effects of World War I, the economic collapse of 1929, and subsequent social and economic changes. Says business management was completely unprepared for these evolutionary changes, so that "big companies fell like flies before the industrial unionism of CIO." Sees strong tendency toward Socialism in U. S. and argues that profit is as essential to state-owned industry as to private enterprise. Asserts Union leadership is attempting to dominate the government, and warns if we accept economic domination by the State, living standards will be lowered, and personal liberties curbed during our lifetime.

It has always seemed to me that considerable responsibility goes with the acceptance of an invitation to speak to a group of people. The matter of mutual interests is involved. For example, I might, conceivably, be fanatically interested in any number of things, but I have no assurance that you share these interests.


John Farrell

However, inasmuch as I have chosen to talk about enterprise, about business, I can assume that most of you will bear with me; because any discussion of free enterprise has to do principally with business and with freedom to do business.

Somewhere, just recently, I've heard liberty defined as freedom from domination by government, by the so-called State. And that is essentially what I want to talk about—Enterprise, free or otherwise.

I suppose that I have done my share of ranting and railing against the situation in which we, as business people, find ourselves today. I've damned the political leadership, the labor leadership—and the many factors which seem hell bent to destroy the American economy.

But this is a pretty silly way to act; it's like Don Quixote tilting at the windmills. If I believe that free private enterprise seems destined to become public government enterprise unless we do something about it, then I had best try to find out why I think so, and endeavor to do something intelligent about preventing State enterprise and socialism.

Thomas Jefferson wrote a letter (to Caesar Rodney) in 1805. In it, he wrote, "He who would do his country the most good he can, must go with the prejudices of the majority 'til he can lead them into reason." And, gentlemen, the prejudices of the majority are against private business. Let's not delude ourselves. We have a job on our hands.

The Businessman

You and I are businessmen, so-called, and it is a matter of record that large numbers of people unfitted for one reason or another to follow the calling of minister, lawyer, movie actor, or any one of a number of other occupations, drift into business, in one capacity or another. Many such individuals have no intention, early in life, of getting into business, but due to one circumstance or another, fate or some other force, they decide that after all, business, as a last resort, is better than starving.

I suppose that back 25 or 30 years ago, many youngsters indicated a desire to become businessmen. Business, believe it or not, was at one time regarded as a fairly respectable pursuit, but this state of affairs changed in the early '30s when new economic and social philosophies came to be the order of the day.

It became the fashion to regard profit, for example, as an evil thing accomplished only at the expense of exploiting workers. Businessmen, generally, were regarded as having caused the depression, the San Francisco earthquake, the Chicago fire, and any number of other disasters. It was not unusual in the early '30s to see an otherwise respectable man walking furtively along the street for fear that he might meet some New Dealer who would snub him and hiss, "Profit taker!"

It's little wonder that businessmen of that day were confused. It's little wonder that some of them "took the veil" so to speak and sought out the books of Taussig and Marshall, and even those of Marx and Engels—books of philsophers, of economists, of sociologists. It was a form of escapism. But out of it all came enlightenment and awareness of the economic, social and political trends that have grown out of the past and which affect us so vitally today.

One fact became quite apparent. Much of the literature of that time dealing with economics, sociology and political science has been written from the standpoint of academic theory without benefit of business experience or business philosophy. And this literature, much of it, has been written to this day by men with a "leftist" point of view. I like to think that many of these men were, and are, intellectually honest. They simply see things differently than I would, differently than most businessmen see them.

I have just spoken of an awareness of economic, social and political trends. Perhaps I had better be careful. I believe that what I want to say is this—neither our formal education nor our business experience had prepared us for the changes that were impending in 1929. I think that my own attitude, in the '20s, as a veteran of the A. E. F., was that America "won the war." America was powerful and would show the world, if it had not already done so, that here in this country we took prosperity, opportunity and freedom as a matter of course. But, you see, a lot of water had gone over the dam since 1917. Our appraisal of the war and its immediate aftermath as just a temporary interruption of America's march to the promised land of eternal prosperity and "two cars in every garage" was slightly cock-eyed. But, let's look back to 1917, just briefly and consider the effects of World War I.

Effects of the First World War

The spring months of 1917 were in no way remarkable. The weather was average, I suspect. Perhaps it was an early spring because early April showed no trace of snow, and on April 7 of that year, if I recall correctly, there was a warmish rain in northern New England, in Vermont where I lived. Vermont, in those days, was far removed from the European capitals—London, Paris, Berlin and Moscow, from Rome, Vienna, from Sarajevo.

But things were happening in the world; events were in process which, during that spring, made themselves felt, in Vermont, in Oregon, in Texas, on Wall Street and in Washington. The events had been building up since August, 1914, but now on April 7 of this 1917 spring came the shock of realization that America was, at long last, to be drawn into that which was, even then, referred to as the "European mess."

There is no need to review in detail the history of events that grew out of that April. There was, of course, the A. E. F., the armistice of November, 1918, the months of German occupation. Then followed the inflation of 1919-20 and the depression of 1921. Business, the economy in other words, had surged ahead over the period from 1915 until May, 1920. But in that month, there began a decline in prices that continued for some 11 months and which saw the price level drop about 30%.

Oddly enough, or perhaps it was not surprising at all, this drop in prices was about the same as that which occurred soon after the war of 1812 and after the Civil War. Prices generally levelled off at about a half-way point between the level which existed in 1915 and that which prevailed at the high inflationary point in 1919. And business moved more or less briskly ahead.

But, now I want to get on past the years of the 20s, past that so-called recovery which began in 1922 and culminated in the stock market crash of 1929. Because it was in 1929 that events began to happen which had more direct bearing upon you and on me.

Economic Collapse

The economic collapse which is remembered as the "great" depression was in reality a series of depressions which started with the stock market panic of October, 1929 and continued, through a series of events, in all truth, right up to the outbreak of war in Europe in September, 1939. Basically, perhaps the American phase of the collapse, which was world-wide, was due to credit inflation which should never have happened in the first place.

We would probably have gotten out of our mess had it not been for economic events that happened in Europe, and which were due, perhaps, to our ill-advised attempt to remake the map of Europe and to the unrealistic economic provisions of the Treaty of Versailles. As I recall, much of the trouble which spread throughout European economies started in central Europe. An early indication of what was to come appeared with the failure of Austria's largest banking institution, the Credit Anstalt, in Vienna. This happened in 1930, or '31. The stock market crash in New York, and European developments acted like a rapid succession of economic blows, until the various countries were pretty much flat on their respective backs. Gradually, business leaders, pretty much throughout the world were discredited or blamed. The time was ripe for the Messiahs and there came forth new leadership and new philosophies. Here in America, we got the NRA, the AAA, the Wagner Act—the New Deal.

And we got multitudes of professors, do-gooders and so-called liberals. These latter people displaced the businessmen as interpreters of economic needs and economic events. Social or eco-

Continued on page 20

*An address at the Convention of the Southeastern and Southwestern Photo-Engravers, Biloxi, Miss., June 16, 1952.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Bache Selected List—New mid-year edition of selected stocks Bache & Co., 36 Wall Street, New York 5, N. Y.

Bank Stocks—Analysis of current outlook—First Boston Corporation, 100 Broadway, New York 5, N. Y.

Canadian Raw Materials and U. S. Shortages—Analysis—The Western City Company, Limited, 544 Howe Street, Vancouver 1, B. C., Canada.

Canadian Warrants—Common stock warrants for many Canadian companies are traded on the Toronto Stock Exchange and in the United States—"Speculative Merits of Common Stock Warrants" by Sidney Fried discusses warrants in their different phases and describes current opportunities—$2 per copy—Dept. C, R. H. M. Associates, 220 Fifth Avenue, New York 1, N. Y. (Or send for free descriptive folder.)

Common Stocks and Cash Dividends—Booklet listing common stocks on the New York Stock Exchange that have paid a cash dividend in every year for 20 to 105 years—New York Stock Exchange, New York 5, N. Y.

Hotel Operations in 1951—Operating ratios of 100 hotels located in 51 cities—Horwath & Horwath, 41 East 42nd Street, New York 17, N. Y.

Inflation and the Investor—Booklet—Dept. CF-6, Kidder, Peabody & Co., 10 East 45th Street, New York 17, N. Y. Also available is **The Favorite Fifty** an analysis of the 50 listed stocks most popular with professional management.

Insurance Stocks — Analysis — White & Company, 506 Olive Street, St. Louis 1, Mo.

Japanese Investment Guide—Tabulation of Japanese Securities Nomura Securities Co., Ltd., 1-1 Kaputo-cho, Nihonbashi, Chuo-ku, Tokyo, Japan.

Public Utility Common Stocks—Tabulation—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Public Utility Stocks—Tabulation of 15 issues appearing attractive—Walston, Hoffman & Goodwin, 35 Wall Street, New York 5, N. Y. Also available is a bulletin discussing **Chicago, Milwaukee, St. Paul & Pacific Railroad** and **Chicago & Eastern Illinois Railroad.**

Share Ownership—Study containing an interpretation of the recently issued Brookings Institution survey of share ownership—Doremus & Co., 120 Broadway, New York 5, N. Y.

World Sugar—Survey of prospects for 1952-1953—Lamborn & Company, Inc., 99 Wall Street, New York 5, N. Y.

* * *

American Brake Shoe—Analysis in current issue of "Gleanings" —Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Atlantic City Electric Co.—Brief data—Oppenheimer, Vanden Broeck & Co., 40 Exchange Place, New York 5, N. Y. Also available are data on **Electric Auto Lite Co., General Railway Signal Co., Ingersoll Rand Co., Sterling Drug, Inc.,** and **Tennessee Corp.**

Augusta Chemical Co.—Memorandum—Graham, Ross & Co., 82 Beaver Street, New York 5, N. Y.

Central Vermont Public Service Corporation—Analysis in current issue of "The Allyn Analyst"—A. C. Allyn & Co., 100 West Monroe Street, Chicago 4, Ill. Also in the same issue is an analysis of **Speer Carbon Co.**

Chicago and Southern Air Lines, Inc.—Analysis—Gartley & Associate, Inc., 68 William Street, New York 5, N. Y.

City of Philadelphia and Philadelphia School District Bonds—Appraisal as of June 30, 1952—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa. Also available is a semi-annual appraisal of **Equipment Trust Certificates.**

Colorado Interstate Gas Company—Data in current issue of "Highlights"—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. Also in the same issue is a brief discussion of **Westpan Hydrocarbon Company.**

Dan River Mills, Inc. — Memorandum — J. Arthur Warner & Co., 89 Devonshire Street, Boston 9, Mass.

Du Mont Laboratories—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

El Paso Electric Power Company—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Fairchild Camera & Instrument Corp.—Data—Abraham & Co., 120 Broadway, New York 5, N. Y. Also available is brief

Continued on page 29

Associates
INVESTMENT COMPANY

Money at Work

This is a report on the performance of Associates Investment Company in the first six months of 1952. The figures reflecting the progress of our business are not in themselves as significant as the service to America's economy which they represent.

Associates Investment Company keeps money at work. It functions with dollars—millions of them supplied by the stockholders who own our business and further millions borrowed from banks, insurance companies, industrial corporations, pension funds, trusts and others. These dollars channeled into the business world make possible the purchase of hundreds of thousands of automobiles and trucks by Americans who buy on time with installment payments.

Our job—keeping money at work—enables a great cross section of the nation to buy transportation *today* and pay for it *tomorrow*. Installment financing pushes aside the money barriers that confront Mr. Average American, creates mass markets, makes possible mass production, steady employment, the high living standard of our country.

There is no magic in this . . . no "ism" but American capitalism. The process is the sound and basic application of credit, and credit quite simply is borrowing against the promise to repay.

The obligation to repay applies to Associates Investment Company just as it applies to our customers. And this implies a further obligation — the obligation of all of us who keep money at work to realize today as never before that we must use credit with good judgment and restraint.

A REPORT FOR THE FIRST SIX MONTHS

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	June 30, 1952	June 30, 1951
Cash and Marketable Securities	$ 61,909,640	$ 54,431,374
Receivables:		
Retail motor vehicle installment receivables	$303,392,085	$270,239,748
Wholesale motor vehicle short-term loans	41,992,017	51,378,761
Direct and personal installment loans	30,946,220	20,951,522
Commercial and other receivables	28,637,896	28,252,307
	$404,968,218	$370,822,338
Less: Unearned discounts	21,672,218	15,726,143
Reserve for losses	8,802,489	7,998,568
Total receivables, net	$374,493,511	$347,097,627
Other Assets	3,802,434	3,025,940
	$440,205,585	$404,554,941

LIABILITIES		
Notes Payable, short-term	$267,108,900	$244,553,000
Accounts Payable, Accruals and Reserves	22,581,461	19,765,300
Unearned Insurance Premiums	20,210,135	16,434,088
Long-Term Notes ($4,995,000 due in 1957 to be prepaid in August 1952)	40,000,000	40,000,000
Subordinated Long-Term Notes	22,500,000	22,500,000
$37,500,000 of new subordinated notes were issued in July 1952, due in 1968, subject to annual sinking fund requirements of $2,500,000 beginning in October 1954. Proceeds were used to retire $22,500,000 subordinated notes outstanding June 30, 1952 and to provide additional funds of $15,000,000.		
Preferred Stock	9,700,000	9,800,000
Common Stock	10,418,240	10,418,240
Surplus	47,686,849	41,084,313
	$440,205,585	$404,554,941

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Six Months Ended June 30, 1952	Six Months Ended June 30, 1951
Discount, interest, premiums and other income	$ 37,703,868	$ 30,246,761
Operating expenses	25,961,489	19,105,365
Net income before Federal income tax	$ 11,742,379	$ 11,141,396
Provision for Federal income tax	6,200,000	5,680,000
Net income	$ 5,542,379	$ 5,461,396
Consolidated net earnings per share of common stock after payment of preferred dividends	$5.12	$5.04

Associates Investment Company is principally concerned with the time sales financing of automobiles, and maintains offices in 29 states and the District of Columbia where 81 percent of American population is concentrated. Operating divisions include commercial financing for business, and personal and direct loans. Major subsidiaries are Associates Discount Corporation and Emmco Insurance Company.

ASSOCIATES INVESTMENT COMPANY
ASSOCIATES DISCOUNT CORPORATION
and other Subsidiaries
South Bend, Indiana

A New Plan for Nominating Presidential Candidates

By FREDERICK G. SHULL
Chairman, Connecticut Gold Standard League

Holding general public is displeased with present method of nominating candidates for President and Vice-Presdent, Mr. Shull outlines a new system, which, he says, will be an improvement over the unsatisfactory convention system.

The American public, having been accorded an opportunity to witness, firsthand, just how great political conventions operate in the choosing of nominees for the highest offices of our land, has expressed considerable displeasure with the present system and feels that a decided change should be made. My purpose here is to suggest a plan that would seem to merit serious consideration.

Frederick G. Shull

As a background for the plan we shall propose, the following historical facts would seem to be of interest: Of the 32 men, Washinton to Truman, inclusive, who have been elected, or otherwise succeeded to the Presidency, 23 had previously held office as members of the Continental Congress, U. S. Senate, or as Governors of their respective States; 3 have been members of the House of Representatives; 3 have been military men; 2 have been cabinet members; and one, only—Chester A. Arthur — appears to have fallen into none of the above classifications. The conclusion easily drawn from these facts is that, regardless of the method used for selecting the nominees, the chances are, by long odds, the choice by each Party as its candidate for President of the United States will be one who has served as Governor of his state, or as U. S. Senator, or as both. The plan we shall propose, however, will in no way preclude the choosing of Generals, Cabinet Members, Members of The House, or prominent citizens in other lines of activity.

With the better than 70% chance that the nominee chosen for the Presidency, by any type of convention whatever, will either be a U. S. Senator or the Governor of some State—but with others not barred—we feel that the Governors of the several States and the 96 U. S. Senators are in a far better position to pass on the qualifications of men for the Presidency than local and State Conventions choosing, and sending, their delegates to such circuses as we have witnessed from Chicago's stockyards these past few weeks. Therefore, to save expense; to avoid justifiable, or unjustifiable, claims of "steals"; to give the public a chance to exercise its right to have some say as to the candidates for whom they are to make their selection in the November elections—we propose the following specific plan:

(1) About July of a Presidential election year, let the Governors of the 48 States meet in Washington with the 96 U. S. Senators from those States, for the purpose of developing a list of eligible men whom they deem best qualified to serve as President of the United States.

(2) Let there be in readiness two ballots (preferably of the Australian type), one bearing the names of all Republican Governors and U. S. Senators—with blank spaces for write-ins of other possible nominees; and the other, the names of all Democratic Governors, U. S. Senators, and spaces for write-ins.

(3) By secret ballot—Republicans with Republican ballots, and Democrats with Democrat ballots —require each of these 144 men to indicate two choices, and only two choices, on his ballot for President — thus giving each a chance to vote for himself, if he chooses to do so, but requiring him to vote for someone else as well.

(4) Record the results of the balloting; select the ten men who, above all others, receive the greatest support on each Party ballot, and let their names be submitted to the public in a national primary.

(5) As a result of the national primary, let the Republican receiving the greatest popular vote be the Republican Party's nominee for President; and the second highest, the nominee for Vice-President—and, similarly, for the Democrat Party nominations.

(6) The names of the men so chosen to be the candidates in the November election, for President and Vice-President of the United States.

Now that modern communications play so prominent a part in our daily lives, the following proposals are made, for full measure:

(1) The way to be paved for plan proposed herein by appropriate Constitutional amendment.

(2) Congress to appropriate the necessary funds for conducting the entire program of nominating men for President and Vice-President.

(3) Each of the ten men of each Party, chosen by the Senators and Governors, to be given 1-hour of TV and radio time on a national hookup, to tell the people why he feels he is best qualified to be President, over all others.

(4) And, after the nominations, each of the two candidates for President to be given 1-hour of time on TV and radio on national hookup, to tell why he feels he should be the people's choice instead of the nominee of the opposing Party; and, similarly, for the Vice-Presidential nominees—but perhaps limited to not over ½-hour of Air time.

While I am not so optimistic as to feel that the detailed plan suggested herein will meet with acceptance without some modification, we do recommend it as a starter toward getting away from such unnecessary shows as we have had thrust upon us under the age-old Convention system. We feel that there must be much latent public sentiment for just such a type of plan as we are proposing herein; and we are hopeful that that "latent public sentiment" may arise in support to a plan bearing the basic foundation that we have tried to portray herein.

David Rogen Associated With Bache & Co. Staff

David A. Rogen has become associated with Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange, as a registered representative. Mr. Rogen was formerly with the New York "Times" and with Glore, Forgan & Co.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

One of the most comprehensive and interesting studies of bank stocks to be published in the past several years has recently been made by R. L. Day & Co., investment bankers with principal offices at 14 Wall Street, New York and 111 Devonshire Street, Boston.

The study includes a discussion of the operation of 28 major banks in all the principal sections of the country. As many banks have established a better record of growth and expansion than those in New York City, these institutions receive a considerable amount of attention in the report.

Population and economic trends including the geographical diversification of industry have been the dominant reasons that some areas have grown faster than others. This in turn has been reflected in the banking institutions of the different areas. As a result of these changes, the relative importance of New York as a financial center has declined.

Emphasizing this point is a comparison of deposits shown in the report. "From the late 1920's through 1939 about 35% of all deposits was held by the New York District. By 1951 this percentage had declined to 25%. Meanwhile other districts, notably San Francisco and Dallas, have grown considerably." As deposit growth—"is the main determinant of long-range earnings growth" —this phase of the study receives considerable emphasis.

Another interesting point presented is that with respect to the market action of bank stocks. Taking 20 out of the 22 largest banks in the country, the R. L. Day & Co. study shows that between September, 1939 and April, 1952 the gain on these stocks was 102%. During the same period the Dow-Jones Industrial Average rose by 96%.

This superior market performance has not been recognized by many investors largely because of the action of New York bank stocks which make up the market indexes of "Standard & Poors" and the "American Banker." Thus the excellent market gains made by many banks outside of New York City as well as a few in the city are lost sight of in looking at the averages.

While the study points out the economic and sociological changes which have benefited banks in areas away from New York, the report is—"not meant to be a blanket condemnation of New York bank stocks." Certainly some of the banks in New York have adapted themselves to change and given an excellent account of themselves.

What is suggested by the study, however, is that investors should re-examine their bank stock investments in view of the changed conditions with the point of view in mind that a better balance in holdings might be achieved by including some shares of institutions in other sections of the country.

Another of the interesting features of the R. L. Day & Co. study is the discussion on "Selection and Timing."

After reviewing the economic factors affecting bank earnings at the present time, the report emphasizes that rather than place too much reliance on short-term economic considerations, it is more desirable to concentrate the effort on—"the selection of individual stocks with better than average long-range possibilities." This contention is supported by figures and charts on individual issues and the point that banking has a definite long-term pattern of growth. "Deposits of commercial banks have shown a remarkably steady and strong increase through the years, averaging about 6% per annum since 1875."

"Timing of purchases, however, is still important for there are periods when even the best stocks are too high priced."

As a general guide for the timing of purchases the report suggests the measure of yields. As shown in one of the charts bank stocks at various times have sold to yield as low as 3% and as high as 6.5%. The average over the past 17 years is about 4.5%. During this period bank stocks have sold to yield 5% or more approximately 25% of the time.

From a study of the chart together with the index of bank stock prices, it can be seen that there are times when it is advantageous to purchase or sell bank shares. The factor of yields should be a useful guide in selecting such periods.

Of course, the market action of each individual bank stock does not conform to the general averages. This is where the selection of a particular stock with attractive possibilities that may be undervalued is of importance.

In addition to the foregoing, the R. L. Day & Co. bank study presents an analysis of each of the 28 stocks. It includes comments on operations, a record of earnings and dividends, operating ratios and a chart of the market action of the different shares.

The study helps to correct some mistaken ideas about bank stock and is unquestionably a valuable aid for both the institutional and individual investor.

FHLB Notes on Market

Public offering of two issues of non-callable Consolidated Notes of Federal Home Loan Banks totaling $176,500,000 was made on Aug. 5 through Everett Smith, fiscal agent, New York City. The two issues, both dated Aug. 15, 1952, consist of $100,000 000 of 2.15% series H-1952 notes maturing Nov. 17, 1952, and $76,500,000 of 2.30% series C-1953 notes maturing April 15, 1953, and are priced at par.

Purpose of the offering is to provide funds required for the payment at maturity on Aug. 15, 1952 of $120,500,000 of 2.20% series G-1952 consolidated notes, and for making available credit by the Federal Home Loan Banks to their member institutions.

Upon completion of the financing, outstanding obligations of the Federal Home Loan Banks will aggregate $318,550,000.

Delivery of the notes will be made either at the Federal Reserve Bank of New York, the Federal Reserve Bank of Chicago, or both, at the option of the subscriber.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—Abraham H. Lebenson is with Bache & Co., 199 Church Street. Mr. Lebenson was previously with Eisele & King, Libaire, Stout & Co.

Bache, Others Form New Trading Co.

Bache & Co., members of the New York Stock Exchange, have announced that the firm, in conjunction with prominent Mexican businessmen, has organized in Mexico a trading company to promote commerce between Mexico, Japan and the United States. The new corporation is named Daiichi Mexicana, S.A. It is the first such company formed in Mexico to trade with Japan since the end of World War II.

J. Lorenzo Sepulveda, long active in business, finance and industry in Mexico, has been elected President and a Director of Daiichi Mexicana, S.A. Other directors include Marte Gomez, former Secretary of the Treasury and Secretary of Agriculture of the Republic of Mexico, and Henry C. Carney. Bache & Co., which has acquired a large interest in the company, will be active in the management and will have representatives on the board of directors.

The new company will be represented in Japan by Daiichi Bussan Kaisha, Ltd., one of the leading Japanese trading companies and a successor to Mistui & Company, Ltd. Last year Harold L. Bache, senior partner in Bache & Co., and associates purchased a substantial block of the common stock of Daiichi Bussan Kaisha, Ltd. The purchase constituted the first sizable postwar investment of new money by Americans in the common stock of any Japanese trading company.

Daiichi Mexicana, S.A. will engage in all phases of the export-import business and will represent in Mexico certain leading American manufacturers. Within Mexico the company's trade name will be "Daimex."

The management of the new company is especially interested in promoting three-way trade between Mexico, Japan and the United States. Exports from Mexico to Japan will include rice, ores, cotton linters and fibres, while imports by Mexico from Japan will include finished goods, chinaware, metal products, hardware, canned foods, machinery, etc. Exports to the United States from Mexico include fibres, waxes, fats and oils, and food products.

Stanley Pelz & Co. Opens Branch in Phila.

PHILADELPHIA, Pa.—Stanley Pelz & Co., Inc., dealers in investment securities, announce the opening of an office at 123 So. Broad Street under the management of Stanley W. Jeffries.

New York Stock Exchange Weekly Firm Changes

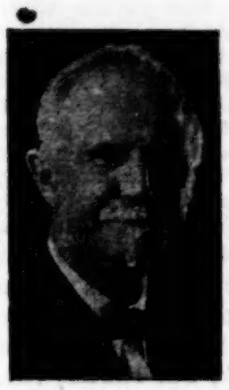
The New York Stock Exchange has announced the following firm changes: Mason L. Carroll retired from partnership in J. Robert Lindsay & Co. July 22. William I. Zabriskie retired from partnership in Mallory, Adeè & Co. July 31.

National Politics

By ROGER W. BABSON

Mr. Babson, in commenting on recent national conventions, says, no matter which party wins, the new President is under obligation to make use of best brains in both parties. Calls cooperation of parties a vital necessity.

The Republican Party in its Convention at Chicago selected its candidate for President of the United States. The Democratic Party in its Convention, also at Chicago, has selected its candidate for President. The candidates of either party will not be acceptable to millions of voters. The national election that will be held on November 4, 1952, will select one of the candidates to be President of the United States. The President elected will not be the choice of millions of voters—BUT!



Roger W. Babson

Cooperation Now Vitally Necessary

After the majority of the voters have elected the man to be President, the *cooperation* of every individual in the United States will be necessary to insure our democratic way of life and our economic independence. The new President, no matter of which party, is under obligation, on account of the present emergencies, to make use of the best brains in either of the leading parties. Members of the Cabinet and heads of the various agencies of the Government should be selected for their ability to handle the particular position, regardless of party affiliation.

The intellect and ability of defeated candidates should not be wasted because they belong to the other party. A *cooperative* Administration is the best method of meeting the international situation, the taxation problem, the national debt, and the employee-employer relationship and the other serious problems that will confront the new President. This is the time for all good people to come to the aid of whoever is elected to insure our economic and political freedom.

The Foundation of Society for 1953 to 1957

The Village, the State, the Nation are all the result of cooperation. The very term *"The United States of America"* signifies the cooperative basis of our national existence. Back in tribal days the right to hold was the right of might. All tribes were natural enemies. Not until men learned to *trust* each other—cooperate—did estates arise. Not until capital and labor learned to cooperate did the factory system arise. Not until capital learned to cooperate with other capital did big business enterprises arise. Men in all walks of life must learn to cooperate with and trust each other in order that the brotherhood of man may arise.

In 1948 John Stuart Mill, the famous economist, announced the principle that "growth in the capacity for and practice in the habit of cooperation, is the surest test of advancing civilization." Newton D. Baker, when he was Secretary of War under President Wilson, said to me: "Mr. Babson, you are interested in business barometers, let me give you the result of my years of experience. It is this: the best barometer of a nation's future is the ability of the people to cooperate and to have confidence in their leaders."

Our progress and growth in this life is bounded on all sides by something. On the north, we are bounded by the Multiplication Table, to make us exact as to facts. On the east, we are bounded by the Ten Commandments to guide us into paths of righteousness. On the south, we are bounded by the Law of Gravity that keeps our feet on the ground; and on the west we are bounded by the setting sun that marks the limits of our day. But the field of cooperation is unbounded. If we carry on, obedient to the laws of God and Man, we will enjoy that freedom which comes with the Brotherhood of Man.

What the world needs today is cooperation in every walk of life—in religion, government, politics, business, finance, and labor relations. Cooperation is the basis of the Golden Rule, and similarly it is the basis of prosperity. The President who will be elected this coming November will face the most serious problems. It will be up to us to cooperate with him, and up to him to cooperate with us.

Urges Study of Means to Increase Sugar Use

Lamborn & Co., of New York City, in study entitled "Greatly Needed — Merchandisers of World Sugars," says solution of problem of surplus production is not curtailment of output but development of program to stimulate greater consumption throughout world. Cites exorbitant taxes on commodity and abnormal trade practices as factors in raising price of sugar "beyond reach of the masses."

World sugar producers, concerned with an indicated 1952 surplus sugar production of 2,500,000 tons, plan to meet in London in September under the auspices of the International Sugar Council, with a view to remedying the situation, according to Lamborn & Co., sugar brokers, 99 Wall Street, New York City. Lamborn has recommended that the Council add to its organization a Merchandising and Economic Research Division to make exhaustive studies of the barriers to increased sugar usage — particularly in those areas where the per capita consumption is low.

In its study "Greatly Needed—Merchandisers of World Sugars," Lamborn points out that sugar production during the 1951-52 season is estimated to reach the unprecedented figure of 44,400,000 short tons, or approximately 2,500,000 tons more than are being consumed. In the prewar years 1935-1939, annual production averaged 33,900,000 tons.

Cuba, the world's largest sugar producer, is now completing her record crop of almost 8,000,000 tons, or 1,600,000 tons more than last year's outturn. That country has announced that it is going to curtail its 1953 crop to 5,700,000 tons.

Pointing out that the United States, England and Australia normally consume over 100 pounds of sugar per capita, while many others use less than 20 pounds per capita, Lamborn states that curtailment is not the answer. Rather, a positive, dynamic merchandising approach to the problem is necessary—that consmption should be increased instead. Ways and means should be developed to eliminate exorbitant taxes on sugar and to discourage abnormal trade practices which prevail in many countries and which result in raising the price of sugar inordinately high—beyond the reach of the masses.

Philip Arnheiter With Adams & Hinckley

NEWARK, N. J. — Philip P. Arnheiter has become associated with the firm of Adams & Hinckley, 24 Commerce Street, in their trading department. Mr. Arnheiter has been in the trading department of Laird, Bissell & Meeds, New York City. Mr. Arnheiter has been in the trading department of Laird, Bissell & Meeds, New York City, for many years as an insurance stock trader.

Lee Aldridge Opens

SMITHBORO, N. Y.—Lee Aldridge has opened offices here to engage in the securities business.

Canadian Securities

By WILLIAM J. McKAY

The tentative decision of Canada to undertake the construction of the St. Lawrence Seaway project despite the inability to obtain participation by the United States Government has aroused considerable public interest in Canadian business and financial circles. According to the July "Business Review" of the Bank of Montreal, two factors have been vital in bringing the matter to a focus at the present time. These are: (1) the recent rapid industrial expansion of Canada, and (2) the desire to obtain a water route to the interior for the rich ore deposits in the Quebec-Labrador area.

"Rapid industrial expansion, with increasing dependence on hydro-electric energy, has culminated in an urgent need for more power the Bank's July "Review" states. "This need can best be met by developing the International Rapids section of the St. Lawrence River, but the United States Administration, as distinct from Congress, has stipulated that it will not agree to the power development under any scheme that does not also provide for deep water navigation."

As to the second factor, the "Review" continues: "The discovery of rich iron ore deposits in the Quebec-Labrador area has significantly altered the economic aspect of the navigation proposal. The recent filing with the International Joint Commission of simultaneous applications by Canada and the United States for approval of a 2,200,000 HP joint power development has been described as the greatest single step thus far toward realization of the Seaway project.

"Canada's application includes an undertaking to proceed concurrently with the construction of an all-Canadian deep waterway from Montreal to Lake Erie, and can leave little doubt as to this country's intention to undertake the navigation project on her own if necessary."

As to the financial success of undertaking the project, the Bank presents a clear statement of the risks involved, remarking:

"What volume of paying traffic will use the system is, and must remain, a matter of conjecture until the Seaway has been built and in operation for a reasonable time. Introducing the Seaway legislation in December, 1951, the Minister of Transport mentioned that ocean-going vessels are not expected to play a major role on the Seaway and that almost half the traffic foreseen is in iron ore. From the text of the legislation and from the Minister's remarks, it is believed to be the intention to charge tolls in the Welland Canal on a basis sufficient only to cover current operating costs plus debt service on the small additional expenditure contemplated in that section.

"It would seem, therefore, that the bulk of the carrying charges allocated to navigation (officially estimated at about $16 million annually, presumably on the basis of December, 1950, costs) must be borne by shipping using the Lachine, Soulanges and International Rapids sections. The apparent advantages of removing this 14-foot bottleneck seem great but with costs of construction still undetermined; with the available alternatives in other forms of transportation; with the price hazards in iron ore and other commodities as against fixed charges of the system; and with economic motivation always driving toward the cheapest way, time alone will tell whether the system will be self-supporting. If it is not so at the rates initially set, any attempt to increase tolls may quickly result in diminishing returns.

"It has been estimated that the Seaway would permit the doubling of the prospective annual production of iron ore in the Quebec-Labrador area. On the other hand, if the volume of paying traffic should be so low as to require a subsidy by the taxpayers of Canada, this would involve an element of cost which, from the national standpoint, would have to be offset against the value to the economy of accelerated development of a basic natural resource.

"There are, quite understandably, Canadians who feel that the advantages of the project to some parts of Canada would be remote or even negative. There are also those who maintain that the creation of an additional transportation facility might adversely upset the present delicate economic balance of transportation and industry in unforeseeable ways, and with unpredictable effects on existing communities both large and small. Added to this view are doubts about the economic value of investing heavily in a scheme that cannot operate during the winter months.

"Few of the great constructive achievements of the world would have been realized if action had been delayed until all doubts were resolved. And the Seaway in its entirety is under present and prospective conditions not nearly so formidable an undertaking as it would have appeared a decade ago when Canada's productive capacity and promise of future development were viewed in a narrower framework. On the other hand, it is only prudent in an undertaking of such importance to weigh the pros and cons carefully."

Jos. Cabble Joins Burns Bros. Denton

Joseph C. Cabble

Joseph C. Cabble has become associated with Burns Bros. & Denton, Inc., 37 Wall Street, New York City, dealers in Canadian securities. Mr. Cabble was for many years with Abraham & Co. as Manager of the trading department.

Ernst & Ernst Open Puerto Rico Branch

Ernst & Ernst, accountants and auditors, have announced a further expansion of operational facilities with the opening of its new office in San Juan, Puerto Rico.

Founded 49 years ago in Cleveland, Ohio, the firm has steadily expanded and currently operates 59 offices in 28 states, the District of Columbia and Canada. One of America's largest concerns of its type, Ernst & Ernst provides a broad scope of accounting and auditing services on a national basis to clients representing virtually all types of commercial activity.

According to A. D. Berning, partner, "the firm has long recognized the growing potential of Puerto Rico and the Caribbean area. We are cognizant," Mr. Berning added, "of that area's expanding economy and of the need for the various services which we can furnish."

Kane, Hill Join Bache in Phila.

PHILADELPHIA, Pa. — Bache & Co., members of the New York Stock Exchange, announce the establishment of an Institutional Department in their Philadelphia office at 121 Broad Street.

George J. Kane, Jr. will direct the department, and William Patten Hill will be associated with him. They were both for many years with the Institutional Department of Goldman, Sachs & Company.

Eisele, King Adds

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—Seymour Page has become associated with Eisele & King, Libaire, Stout & Co., 177 Church Street. Mr. Page was formerly with Fahnestock & Co. and White, Weld & Co.

Chas. Scranton Adds

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—Bruce F. Wilcox has been added to the staff of Chas. W. Scranton & Co., 209 Church Street, members of the New York Stock Exchange.

Warns Dewey on N. Y. City's Financial Business Tax

Harry L. Arnold, President of Security Traders Association of New York, tells Governor measure is driving financial concerns out of New York City.

Harry L. Arnold, of Goldman, Sachs & Co., New York City, in his capacity as President of the Security Traders Association of New York, Inc., on July 30 sent the following telegram to Gov. Thomas E. Dewey regarding the recent doubling by New York City of the tax on financial business:

Harry L. Arnold

"Recent events bear out the predictions made by various groups from the financial industry who testified as to the shortsightedness of New York City in doubling the financial business tax and of the New York State Legislature in authorizing such an increase. On July 1 four Investment Funds with net assets in excess of $235 million moved their offices to another state. Last week four other funds with assets in excess of one billion dollars closed their New York offices and will confine their activities to another state. If this trend continues, which it surely will unless prompt action is taken, it will have a most adverse effect on New York as the financial center of the country and of the world and will result in a substantial loss of revenue to the city and state. We strongly urge not only that permission to continue this tax at its present exorbitant rate be denied at the next session of the Legislature, but that a statement to this effect be made now by you or someone in high authority in the State Government. It is very evident that the financial industry, like any other business can function anywhere, it does not need New York, but rather, New York needs it.

"SECURITY TRADERS ASSOCIATION OF N. Y., INC.
"Harry L. Arnold, President."

Premium Gold Markets Diminishing

"Monthly Bank Letter" of the National City Bank of New York gives recent data on fluctuation of free market gold prices.

The August issue of the "Monthly Bank Letter," published by the National City Bank of New York, calls attention to the recent downward tendency of premiums on gold in the various free gold markets throughout the world and the significance of this development in reaching the overall objective of a stable international exchange situation. Commenting on this situation the "Monthly Bank Letter" states:

"In Paris, now the principal center for private gold trading, bar gold which was around $60 an ounce at the end of 1946 dropped to about $49 an ounce by the end of 1948, reflecting the returning confidence after the Marshall Plan was adopted. However, under the influence of currency devaluation rumors the price rose above $50 an ounce by August, 1949. Renewed confidence in currencies once the devaluations were 'over and done with,' coupled with more plentiful supplies of new gold in premium markets, sent the price down to new postwar lows, until the Korean invasion and subsequent international tension turned it up once more. The new upsurge in the spring of 1951 reflected enhanced fears of the inflationary impact of rearmament. More recently gold prices have again declined, with the downturn in commodity prices and more serious efforts by many countries to control inflation by balancing their budgets and resort to more active measures to restrain credit expansion.

"Thus experience so far has appeared to bear out the views of these authorities on gold who have contended right along that the premium prices would melt away once gold was permitted to move freely in international markets and fears about the value of money began to wane. It supports the admission by Mr. Ivar Rooth, managing director of the International Monetary Fund, at the conclusion last September of that body's four-year struggle against the premium gold trade, that—

" 'The only dependable way of getting rid of premium gold markets and private hoarding of gold is to create economic conditions under which the private demand for gold will become negligible. . . . In every country, the best way to reduce the demand for gold for private hoards is to follow budget and credit policies that will give people confidence in their currency. Nobody can have a good reason for hoarding gold or paying a premium for gold in a country in which the currency will remain stable in internal and external value.'

"As the 1952 annual report of the Bank for International Settlements says in its review of the gold movements and prices over the past year:

" 'It is an object lesson for all and sundry that, if supplies of gold are allowed to move freely and if confidence in the national currencies is restored, these two factors are capable of putting an end to gold hoarding, after all attempts at suppression by means of prohibitions and controls had failed.' "

Equitable Secs. Opens Philadelphia Branch

PHILADELPHIA, Pa.—Equitable Securities Corp. announces the opening of an office in the Fidelity-Philadelphia Trust Building under the management of Harry S. Shevlin, Jr. Mr. Shevlin was previously with Reynolds & Co.

C. M. Cushing Is Now With W. E. Burnet Co.

Charles McKinnon Cushing, formerly with Paine, Webber, Jackson & Curtis, has become associated with W. E. Burnet & Co., 11 Wall Street, New York City, members of the New York Stock Exchange and the New York Curb Exchange.

With Blair, Rollins Co.

WASHINGTON, D. C.—Blair, Rollins & Co. Incorporated has announced that T. Kevin Kelly has become associated with their Washington, D. C. office, 815 Fifteenth Street, N. W.

With Waddell & Reed

VALDOSTA, Ga. — Melvin E. Thompson is with Waddell & Reed, Inc.

Gas Industry to Spend $5.6 Billion in Next 5 Yrs.

American Gas Association reports outlay, represented mainly by natural gas distribution facilities, will exceed that of previous five years.

The nation's gas distribution and pipeline industry will spend about $5.6 billion for construction of new facilities and expansion of plant in the five-year period extending from 1952 through 1956, according to the American Gas Association. This compares with construction expenditures of $5.1 billion over the past five years, a previous high record in the gas industry.

The natural gas branch of the industry expects to spend $5,099,-000,000 in its five-year expansion program, compared with $4,560,-000,000 spent in the 1947-1951 period. Expanded transmission facilities will cost an estimated $3,075,000,000 in the next five years, with $415,000,000 allocated to production facilities and an additional $82,000,000 estimated for underground storage expansion.

All other types of gas will account for about $500,000,000 in new construction in the next five years. Expanded distribution facilities will cost an estimated $302,-000,000 and $150,000,000 will go toward production and storage facilties.

The Association reports that despite shortages of essential pipe and other materials the gas industry expended a record $1,461,-500,000 in 1951 for construction of new facilities. This sum exceeds the previous peak established in 1950 by $263,200,000, or 22.0%.

Indications are that there will be a temporary slackening of construction expenditures during 1952 because of continued allocation and material difficulties. However, the estimated expenditure of $1.17 billion in 1952 still represents the third greatest annual expenditure in gas industry history. A number of major pipelines were completed in 1951 and augmented capacity of the nation's pipeline system in 1952 will be accomplished to a greater extent than before, through installation of additional compressor, rather than pipe facilities.

Current plans indicate that the record established in 1951 may be broken in 1953, when estimated construction expenditures total $1,681,000,000. This estimate reflects plans for major expansions of existing systems to be started in 1953, as well as one new pipeline from the Gulf Coast area to the Middle West and the initiation of a natural gas pipeline, either from Canada or the Southwest, to serve the Pacific Northwest.

Substantial completion of such projects contributes to the sustained high level of anticipated expenditures, estimated at $1,206,-000,000 in 1954. Expectations for the fourth and fifth years of the period reveal decreases, though prior estimates for the more remote years have consistently understated subsequent actual expenditures.

Companies accounting for $2.1 billion of the total anticipated $5.6 billion have indicated their plans concerning financing their construction programs. These companies indicated they expected to obtain 34.6% of the required funds from internal sources, primarily undistributed earnings and depreciation accruals. Of the remaining 63.4% to be obtained from outside sources, about 46.0% will be realized through long term debt and 19.4% from common or preferred stock issues.

The actual expenditures in 1951 and projected expenditures in 1952 are based on reports submitted to A.G.A. by companies representing over 95% of total revenues of the industry. Forecasts beyond 1952 are the result of a special annual survey by the Association's Bureau of Statistics, among a substantial number of pipeline and large distribution companies.

Carroll, Kirchner & Jaquith Formed

(Special to The Financial Chronicle)

DENVER, Colo.—Carroll, Kirchner & Jaquith, Inc. has been formed with offices in the Midland Savings Building to engage in the securities business. Officers are Howard P. Carroll, President; Robert M. Kirchner, Treasurer; and Richard E. Jaquith, Secretary. Mr. Carroll and Mr. Kirchner were formerly with Boettcher and Company. Mr. Jaquith was with Bosworth, Sullivan & Co.

Robert Kirchner

Mr. Kirchner is Secretary of the Bond Club of Denver, an affiliate of the National Security Traders Association.

H. I. Buttrick With Wood, Struthers Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — Herbert I. Buttrick has become associated with Wood, Struthers & Co., 75 State Street. Mr. Buttrick was formerly in the municipal department of the Boston office of Laidlaw & Co. Prior thereto he was manager of the municipal bond department for Whiting, Weeks & Stubbs.

Weir Heads New Dept. for J. Barth Co.

Elmer L. Weir

SAN FRANCISCO, Calif. — J. Barth & Co., 404 Montgomery Street, members of the New York, San Francisco and other Stock Exchanges, has opened a Trading Department, in charge of Elmer L. Weir, who joined the company recently. Weir has been well known in West Coast financial circles for 28 years.

Rejoin Faroll Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—George H. Dunn and Dean S. Voorhees have rejoined the staff of Faroll & Company, 209 South La Salle St., members of the New York and Midwest Stock Exchanges. Mr. Dunn has recently been associated with Daniel F. Rice & Co. as Kankakee Manager. Mr. Voorhees in the past was Manager of Faroll & Company's Fairbury, Ill. office.

Securities Salesman's Corner

By JOHN DUTTON

Controlling the Interview

PART 2

The Sales Institute of America has granted me permission to use material presented in their recent release to their members, entitled, "Controlling the Interview." The entire article can be obtained by writing them at Norwalk, Conn.—J.D.

Last week we covered some of the avoidable reasons why salesmen lose control of an interview. There are, however, a number of unavoidable reasons why this often happens. If you can "save" interviews from otherwise falling into a complete waste of time and effort when this occurs, you will increase your effectiveness and earning power accordingly.

Telephone Interruptions

The Sales Institute suggests, quote: "Whenever a telephone call interrupts your sales discussion, and particularly if the call is of any duration, it is a wise move to ask the prospect—'Do you have any notes to make on that call before I continue?' If this is done, it helps in part to stop the prospect thinking about the call while you compete for his attention. Then too, it helps demonstrate that you expect his full attention. Always, when a prospect puts down the telephone after a call, *go back to the point you were covering before the call came through.* In this way you help the prospect pick up the trend of the conversation . . . there is no gap left. The simple phrase—'As I was saying . . .' does this job."

Sometimes the telephone interruption comes at one of the worst possible moments, right at the close of a sale. All the time and work you have expended can be lost, unless you do two things:

(1) You must talk first. (2) You must bring the prospect back to the exact point you were when the interruption occurred.

For example, let us say you have just asked the prospect for his verification on your order form. You have extended your pen for signature, then the telephone rings! Without hesitation you pick up exactly where you were interrupted and you ask again—"If you'll verify this, we'll go right ahead with your order." Or repeat whatever closing statement you have made.

This is the one place you do *not use anything other than the actions and comments you were using* at the moment of the telephone call.

When prospects at times receive telephone calls so frequently that it is almost impossible to make a presentation it is suggested by the Sales Institute that the salesman say—"Mr. Prospect, I know that what we have to discuss is important to you. Otherwise you wouldn't have seen me. And I know you want to give this your full attention. *I wonder if you'd mind asking your secretary to hold your calls for the next few minutes? It will conserve your time and we can get through this much faster."*

Secretarial Interruptions

Often the secretary comes in and says, "Mr. Allen, Mr. Jones is waiting to see you." The prospect is likely to reply that he will see him in about five minutes. If the salesman allows himself to be rushed he loses control and does himself an injustice. The suggested statement here is—"Mr. Allen, this will really take more than five minutes. So I wonder if you'd prefer to see Mr. Jones now, and I'll wait; *or would you prefer that I continue?"* Either way you are still in control. "Use this technique when you are next faced with that problem—you'll find it works," suggests the Sales Institute.

The Prospect's Associates

One of the deadliest things that can happen to a good sales presentation occurs when the prospect decides that he needs someone else in the discussion. He calls for the individual he wants, and you both wait. After a minute or so, the newcomer enters, and Mr. Prospect deals his damage. He says something like—"This is Mr. Thomas, he's with the XYZ Company; he's trying to sell us some . . ." This sort of introduction you can readily see is damaging.

During the minute or so while you are waiting for the prospect's associate, simply ask—"Mr. Allen, I wonder if you'd mind if I'd introduce myself?" When the third party enters the room say—"Hello, Mr. ----, my name is Thomas and I'm with the XYZ Company. I've been telling Mr. Robertson about . . ., and he feels it has sufficient interest to warrant your joining us."

Then ask your prospect if he would mind your reviewing whatever you have told him to bring the newcomer up to date. Just say—"Mr. Robertson, I wonder if you'd mind if I cover the major points I've been over with you? That way Mr. ---- will have the same frame of reference on which to base his approval as you have."

Other unavoidable losses of control are caused by the sudden departure of the prospect, due to a meeting to which he has been called, or when the salesman gets into the prospect's office and he is told in advance that the prospect will have to leave in a very few minutes. Ask one of the either/or questions such as "Mr. Robertson, would you want me to wait, or would you prefer to set up another date."

Prospect inattention can be countered with, "Mr. Robertson, you agree with that, don't you?" If this fails, tactfully suggest that you can see he has something else on his mind and try and make a date for another time.

Then there is the prospect who goes on a monologue. All of us know him. The Sales Institute suggests: "The best way to handle the platform-type of prospect is to take advantage of something we all must do—pause and breathe! It does not mean that you must not be polite. Wait until he pauses and then quietly interject—'I can see your point, Mr. Robertson. You are absolutely right on that. As a matter of fact I'd like to hear more about it, but I know you'll be impatient if I don't get on as to why I am here,'" You will not be able to use the foregoing verbatim, the skill is in tying in something the prospect says with your conversation.

* * *

A word about the Sales Institute of America. This organization is doing some excellent work in assisting salesmen to perfect and improve their efficiency. I believe they have something very valuable to offer those engaged in the sale of securities.—(J. D.)

Three With Income Funds

(Special to The Financial Chronicle)

NEW HAVEN, Conn.—Philip N. Costello, Lucius F. Maltby and Nelson H. Palmer have joined the staff of Income Funds, 152 Temple Street.

Eisenhower Lists Proposals and Aspirations

In talk to Veterans of Foreign Wars he outlines 10-point program of "positive objectives" for a national policy.

In a brief address delivered to the Veterans of Foreign Wars at Los Angeles, Cal. on Aug. 5, Gen. Dwight D. Eisenhower, Republican Party nominee for the Presidency, laid down ten "proposals and aspirations" for shaping a national policy, all of which he said "are attainable."


D. D. Eisenhower

The text of the proposals contained in the address follows:

"(1) To increase American's strength, her spiritual, creative and material strength. None of us to leave anything undone in order to make certain that that strength reaches the maximum for which we can possibly have any use.

"(2) To win a just and lasting peace secured by the entire strength of the free world. Each of us can help to see that that peace is not violated.

"(3) To build a prosperity not based on war. Each of us can help take the great resources of this country, the great geniuses of our people, our scientific brains, to make certain that we have a prosperity that brings to each and every one of us of 156 million people the most that it is possible to develop in this country.

"(4) To make America's promise of equality a living fact for every single American. In this, each of us can have a part. We can treat our neighbor as an equal. We can treat everyone with whom we come in contact as an equal and in doing so we will be elevating ourselves.

"(5) To strengthen and extend every measure for the security and welfare of our people.

"(6) To protect the earnings and savings of the people from the double toll of high prices and high taxes.

"(7) To serve the worthy interests of every group of our people, yet make the test of every policy, is it good for America? Ladies and gentlemen, there is no other index by which any proposal, no other yardstick by which any one idea in the foreign or domestic field should ever be measured.

"(8) We can insist on restoring honesty to government.

"(9) To insure, by means which guard our basic rights, that those who serve in government are Americans of loyalty and dedication.

"(10) To revive in every American the faith that he can achieve a better future for himself and his family."

Continued from page 2

The Security I Like Best

bility that dividends will be resumed during the current year.

In a statement to stockholders, dated June 20, 1952, Southern Pacific gives its land holdings and their distribution as follows:

"As of Dec. 31, 1951, the company owned 4,064,000 acres of land located as follows:

Location—	Acres
California	2,171,000
Nevada	1,693,000
Utah	175,000
Oregon	3,000
Lower Calif. (Mexico)	19,000
Total	4,064,000

"In addition, it has reserved oil, gas and mineral rights in 590,000 acres heretofore sold."

While it would be inappropriate to assume that important mineral developments will occur in this huge acreage belonging to Southern Pacific, it would be equally improper to reach the conclusion that oil or other minerals will not be found. A recent study of Southern Pacific comments as follows: "Whether any of this property will ever become important oil bearing lands is a matter of speculation, but the fact that oil companies are active in areas reasonably close to Sopac's lands, and that geological surveys indicate that some of the company's California and Nevada tracts are in a favorable region for possible oil discoveries suggest that at least the prospects of such discoveries are promising."

Railroads have far less discretion than industrial organizations as to prices for their products, employment relations and other important managerial decisions. Nevertheless, management can by no means be discarded. For many years the operations of Southern Pacific have indicated sound technical and financial judgment on the part of its officers, and today the road is in prime condition. It is a fair assumption that continued good management may be anticipated, particularly as the road has recently installed a new President, who has sound training, vigor, imagination and other qualities which should permit him to equal or exceed the excellent record of his predecessors.

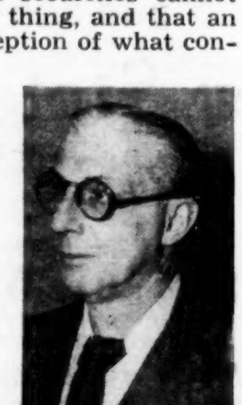
As already stated, there should be affirmative reasons for purchasing common stocks at the present time, and Southern Pacific offers adequate inducements. Whether on the basis of price-earnings, yield, competitive position, management, financial position, probable expansion of traffic in its operating territory or possibilities connected with its large land holdings, Southern Pacific has advantages which exceed those of most alternative investments.

STANLEY HELLER

Partner, Stanley Heller & Co., N. Y. C. Members, New York Stock Exchange and New York Curb Exchange

Consolidated Vultee Aircraft Corporation

It seems obvious to me that one's choice of securities cannot remain a static thing, and that an investor's conception of what constitutes a good medium for his funds should be flexible and adaptable to new conditions. Commitments which, in a period of normalcy in international relations, might not look particularly inviting, may, under the present condition of semi-peace, or "cold war," take on a more attractive aspect. I believe that particularly appropriate examples of securities which have taken on new speculative lustre because of the Nation's rearmament program, are afforded by the equities of aircraft manufacturers.


Stanley Heller

It is well known that few, if any of our major industries are so dependent upon government business and support as are the plane makers. That support now appears to be plentifully forthcoming, and is quite likely to continue, even beyond the time when the business of other war-supported industries declines. Under the current "stretch-out" plan, Air Force strength will rise to 143 wings and the Navy's air fleet to 16 groups by mid-1955. Approximate current strength of the Air Force is 90 wings, and of the Navy air arm 12 groups.

It has been estimated that a total of $120 billion is now available for defense and foreign military aid, of which not more than $59 billion will be spent during fiscal 1953. That will leave $61 billion to be carried over into 1954 and later fiscal years, and to be added to any appropriations which may henceforth be made. Under these circumstances, and considering the present state of international relations, defense expenditures may not begin to really level off until 1953, and even then, the overhanging threat of all-out war may result in an annual outlay of $40 billion for maintenance of our military strength.

Obviously, then, the intermediate term future of the airplane makers seems assured, under present world conditions. And even if there is some improvement in the international picture, pronouncements by leaders of both political parties indicate that it will be a long time before we again relax our air defenses.

Reflecting these factors, recent market action of aircraft equities has tended to become stronger. As in all group advances, some stocks have become leaders and others laggards.

In my opinion **Consolidated Vultee** is one of those which, thus far, has been lagging behind the group. So far as I can determine, there is one overbearing reason for this stock's failure to respond marketwise to the improved outlook for the aircraft industry. That reason is a fear on the part of many persons that the company's principal product, the B-36 bomber, is nearing obsolescence. And a recent announcement by the Air Force, stating that contracts for the B-36 will not be extended beyond their present 1954 expiration date bears out this fear. However, the same announcement said that by that time, **Convair** would be ready to begin production of its new YB-60, an all-jet, swept-wing adaptation of the B-36. Furthermore, it may be said that Convair is well along in the design of even newer and more powerful strategic weapons, so that it is quite likely that the company's competitive position among American airplane makers will be kept secure.

Having considered what I believe to be the most serious objection to the stock, I think that it would be well now to enumerate some of the more constructive aspects. First, consider the company's research. Consolidated Vultee has been selected to build the first plane in this country to be powered with nuclear energy. This project is to be carried out in conjunction with General Electric Company, which has been assigned the duty of developing the engines.

Convair was one of the first aircraft manufacturers to embark actively in the research and development of guided missiles. As one result of this early start, Consolidated Vultee is now building the first plant in the United States to be constructed exclusively for the production of guided missiles. Research in this field has been extremely productive of results which will carry forward for many years to come, among them an electronic instrument called a charactron, which may find commercial application as a business machine. This instrument will enable companies to effect tremendous reductions in their filing space, and represents the first Convair research development which holds promise for ultimate diversification into non-aircraft fields.

In 1949, Convair built and flew the first Delta Wing aircraft in the world. It was built under an Air Force contract. This type of design, in the management's opinion, has exceedingly great promise in the field of supersonic speeds. Out of this project and subsequent research and development by the company have come additional projects, about which, for security reasons, virtually nothing can be stated at this time, except that the program already under way in this connection will require extensive new activity by Convair in production phases.

In all this war-born activity, the company is not neglecting research and production of peacetime products. The new Convair-Liner 340 and the older Convair-Liner 240 are in service on airlines all over the world. At February 1, 1952, Convair had firm orders for 149 of the 340 liners, and management has said that when all of these orders are filled, Convair-Liners will be serving more airlines than will any other type of postwar transport aircraft.

Turbo-prop powered aircraft also rank among Convair's pioneering efforts, and turbo-prop engine applications of the Convair-Liner have been ordered by the Air Force. The company has already delivered one turbo-prop powered Convair-Liner to General Motors Corp., the first commercial type turbo-prop aircraft manufactured in the United States.

According to well informed sources, Convair will concentrate its research for airliner engines on the turbo-prop, since it is felt that turbo-props, and not jets, will constitute the next important phase in the development of airlines travel.

Convair's balance sheet at the close of the last fiscal year showed current assets of $88,398,000, and current liabilities of $57,400,000, leaving net working capital of approximately $31 million. Since that time, the need for more funds with which to conduct expanded operations has resulted in the company increasing its banking credit from $50 million to $75 million, although all of these funds have not yet been drawn down.

Book value, based on the company's latest balance sheet, approximated $17.58 per share of stock outstanding. However, it should be noted that the company's plant, property, and equipment, which originally cost $22,500,000, have been amortized and depreciated to a net figure of approximately $7,900,000. This company owned plant, consisting of approximately 2,500,000 square feet of floor space, completely tooled and equipped, would cost around $40,000,000 to replace. If the plant, property, and equipment were to be taken at this replacement value, the consequent book value of Convair's outstanding stock would be about $31.10.

Since the formation of Consolidated Vultee in 1942, as the result of a merger between Consolidated Aircraft Corporation and Vultee Aircraft, Inc., the company's fortunes have tended to follow those of the industry. Net sales hit an all-time high of more than $960 million in 1944, only to shrink to $13.7 million in fiscal 1946. Since that time, and in line with the experience of other segments of the industry, sales have increased steadily, and earnings have recovered from the 1946 low point.

The company's current operations are expanding and will expand at an even more rapid rate as new facilities come into production late this year. Sales for the current fiscal year to end November 30, 1952, may go over the $400 million mark, compared with $322 million reported for the preceding year. Although rising tax rates will prevent a commensurate increase in earnings, profits may show some improvement over the $3.27 per share earned last year, and the regular $1.60 annual dividend should be very adequately covered.

At November 30, 1951, the company's backlog of signed contracts, letters of intent, and contracts in final stages of negotiation, amounted to approximately $900 million. Despite the nearly $200 million of sales turned out in the first six months of the current fiscal year, unfilled orders rose to approximately one billion dollars, indicating that incoming orders are still in excess of production.

Of course, these so-called "backlog" figures can be very misleading, particularly in the case of defense production. Contracts undertaken for the Government are subject to cancellation at any time, with suitable provision to cover costs and profits on the work done until the time of cancellation. Nevertheless, the rise and fall of backlog figures may offer some clue as to the urgency with which products are required and an inkling of what present plans will require the company to do in the future. The maintenance of backlogs at the huge figure reported by Convair augurs well for the company on both of these counts.

The very nature of the aircraft industry makes Convair a speculative security. However, it is my opinion that the B-36 problem has been greatly over-rated, and with expanded sales and earnings likely over the medium term, I do not believe that the stock's current price, around 18½, fully reflects its potentialities. It therefore follows that a company which I might perhaps not normally regard as an attractive speculative medium, now offers what I believe to be a very considerable opportunity for capital appreciation, and its common stock represents the security I like best at the present time.

Kingsley Barham Director

Kingsley Barham, III has been elected to the Board of Directors of Industrial Research, Inc., Miami research and development company, it was announced here by R. F. Sadler, President. Industrial Research Inc. manufactures a catalyst cap for automobile storage batteries, the Hydrocap, and is undertaking extensive research, in association with the University of Miami Research Laboratories, of a number of related products in the same field. Mr. Barham is a member of the investment banking firm of Barham and Cleveland, Coral Gables, which underwrites and distributes both retail and wholesale, whole issues of the securities of various corporate industries. Mr. Barham formerly was a partner of de Framery and Co., member of the San Francisco Stock Exchange, and has been associated with the P. W. Chapman Co. and August Belmont and Co., New York City.

Joins Lyons & Shafto

(Special to The Financial Chronicle)

BOSTON, Mass.—Frank L. Young II has become associated with Lyons & Shafto, Inc., 79 Milk Street. Mr. Young was formerly with Blair, Rollins & Co., Inc., Bache & Co. and du Pont, Homsey & Co.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The election of Mario Diez, as a Director of **Colonial Trust Company of New York** has been announced by Arthur S. Kleeman, President of the banking house. Mr. Diez is Vice-President in charge of Colonial's International Division and was instrumental in the founding of that department and its subsequent world-wide development. He began his banking career with **Banco de Venezuela in Caracas** and has had many years of diversified experience in the financing of world trade. Mr. Diez has been a leading exponent of increased multilateral trade as a prime force for peace. A frequent traveller to the world's principal trading centers, he has also devoted himself especially to emphasizing among United States business men, the importance of buying abroad if they wish to sell abroad. Only in this way, contends Mr. Diez, can overseas friends of the United States be enabled to earn the dollars they need, to continue as customers of this country. To aid in fostering awareness of this concept, Colonial's International Division periodically publishes international monographs which describe trade possibilities with various countries. The articles are widely distributed and it is said to have been instrumental in stimulating significant interest in increased world trade. Another contribution of the bank's International Division in promoting international amity and understanding is the "Colonial Courier," a monthly newsletter reporting significant business and political developments in the United States. The "Courier," issued in seven languages, is air mailed to readers throughout the world.

Mario Diez

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At a regular meeting of the Board of Directors of **City Bank Farmers Trust Company of New York, Alfred H. Howell,** formerly an Assistant Trust Officer was appointed an Assistant Vice-President.

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The Irving Trust Company of New York announced on Aug. 1 the promotion of nine members of its staff. Edwin M. Smith and William B. Plate were named Vice-Presidents. Mr. Smith, formerly an Assistant Vice-President, joined the Irving staff in 1934 and has had extensive experience representing the Irving in New York and other Eastern states. He is now attached to the Company's Woolworth Branch Office. Mr. Plate came to the Irving this year after varied experience in banking and in key financial positions in industry. He, too, is assigned to the Irving's Woolworth Branch. John F. Lawlor and Richard I. Palmer, formerly Assistant Secretaries, were named Assistant Vice-Presidents. At the same time Robert W. Adams, George J. Adriance, Frederick H. Brownell, Jr., Eric O. Freund, and Paul E. Quandt were elected Assistant Secretaries.

E. Chester Gersten, President of **The Public National Bank and Trust Company of New York,** announced on Aug. 4 the advancement of Raymond J. Clark to Vice-President from Assistant Vice-President. Mr. Clark is identified with the credit and business development activities at main office. Other main office promotions are Thomas J. Eichler, Assistant Cashier to Assistant Vice-President and Raymond J. Ludwig, Supervisor of Credit Department to Assistant Cashier.

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Henry Caplan, President of Henry Caplan, Inc., one of the principal Chrysler-Plymouth dealers of New York City, has been appointed a member of the Advisory Board of the 84 Broadway (Brooklyn) and North Side Offices of **Manufacturers Trust Company, of New York,** it was announced by Horace C. Flanigan, President of the trust Company.

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The capital of the **Mansfield Savings Trust National Bank of Mansfield, Ohio,** has been increased to $1,200,000 from $600,000, as of July 16, as a result of a stock dividend of $600,000.

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The West Carrollton Bank, of West Carrollton, Ohio, a State member of the Federal Reserve System, was absorbed by **The Winters National Bank & Trust Co., of Dayton, Ohio,** on July 1. A branch was established in the former location of The West Carrollton Bank.

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Effective July 7, the **Shelby National Bank of Shelbyville, Ind.** increased its capital from $200,000 to $250,000 by the sale of $50,000 of new stock. In May, the bank's capital was enlarged from $100,000 to $200,000 as a result of a stock dividend of $100,000. An item with reference thereto appeared in our issue of June 19, page 2556.

* * *

Joseph M. Dodge, President of **The Detroit Bank, of Detroit, Mich,** has announced the following appointments made at the Board of Directors meeting on July 29. Francis A. Fisher and Andrew J. Lee from Assistant Cashier to Assistant Vice-President; Theodore A. Dauer, James R. Hall, and Albert A. Shepherd to Assistant Cashier. Mr. Fisher started his banking career with the former First National Bank in 1918. He became an employee of The Detroit Bank in July, 1934, and in April, 1935, was appointed manager of the Fenkell-Fairfield office. He became an Assistant Cashier in January, 1946. Mr. Lee started his banking career with the Detroit Bank in March, 1914. After service in World War I, he returned to the bank in December, 1920. In February, 1925, he was appointed manager of the Hamilton-Holden office, and in October, 1927, manager of the Grand River-Joy Road office. He was appointed an Assistant Cashier in March, 1948. Mr. Dauer started as a messenger in 1924 for the former Bank of Detroit. In December, 1933, he was assigned to the accounting department of The Detroit Bank, was made Assistant Manager of that department in September, 1948, and in September, 1951, Manager. Mr. Hall started his banking career with the **Federal Reserve Bank of Dallas** in May, 1917. After serving in World War I he was employed by the former Peoples State Bank of Detroit, and subsequently the former First National Bank. He joined The Detroit Bank staff in October, 1934, as manager of the Hamilton-Holden office. He was made manager of the Grand River-Redford office in April, 1936, and has since served in that capacity. Mr. Shepherd was employed by the First National Bank in September, 1923. On March, 1933, he was employed in the discount department of The Detroit Bank, and named manager of that department in January, 1942.

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The Exchange National Bank of Colorado Springs, Colo., announces the promotion of the following on July 11:

Jasper D. Ackerman, to President; Grover L. Scott to Vice-President; George L. Beardsley to Vice-President; Grant H. Winne to Cashier; Norman A. Hoff to Assistant Cashier and Auditor; and Robert D. Copsey to Assistant Cashier.

Mr. Ackerman has been associated with the bank since April, 1916, and served the bank in successive capacities leading to his election as President. Mr. Scott's association with the bank dates from July, 1921; he became Assistant Cashier in 1940 and Cashier in January, 1950. Mr. Beardsley, formerly President of the Westcliffe (Colo.) State Bank, started with the Exchange National Bank as Assistant Cashier in 1942 and was elected Assistant Vice-President in 1950. Mr. Winne has been employed by the bank since 1935, except for three years with the Armed Forces and has held the office of Assistant Cashier since January, 1950. Mr. Hoff was associated with the Red River National Bank of Grand Forks, N. D., for two years prior to his employment with the Exchange National in 1936. He was elected Auditor in 1950. Mr. Copsey has worked for the bank for 13 years, and was promoted from Head Teller to Assistant Cashier.

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The American Falls Bank, of American Falls, Idaho, a State member of the Federal Reserve System was taken over on June, 30, by the **First Security Bank of Idaho,** National Association of Boise, Idaho. The former location of the American Falls Bank is now operated as a branch of the First Security Bank of Idaho.

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Joseph F. Vasquez has been promoted to Assistant Vice-President in Loan Supervision department of **Bank of America's San Francisco** Head Office, it has been announced by L. M. Giannini, President. Mr. Vasquez has served as an officer for the bank in northern California branches.

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The **Citizens National Bank of Bellflower, Cal.,** with common capital stock of $100,000, was placed in voluntary liquidation effective June 28, having been absorbed by the **California Bank, of Los Angeles.** The proposed taking over of the Bellflower bank by the California Bank was noted in our issue of June 19, page 2556.

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The sale of new stock to the amount of $50,000 has increased the capital of the **West Side National Bank of Yakima, Wash.** (effective June 24), from $300,000 to $350,000.

Thomas Ware Joins Stillman, Maynard

Stillman, Maynard & Co., 61 Broadway, New York City, members of the New York Stock Exchange, announce that Thomas K. Ware has become associated with the firm. Mr. Ware has been with Scudder, Stevens & Clark and more recently with the investment department of J. P. Morgan & Co., Inc.

Railroad Securities

Seaboard Air Line

The final step toward cleaning up Seaboard Air Line's debt structure is now to be taken. The company has asked for bids on $25 million of new 25-year debentures, the proceeds to be utilized for redemption of the remaining balance if the Income 4½s, 2016. The new bonds will carry fixed interest (rate to be determined by the successful bidder) as opposed to the contingent interest on the bonds to be retired and they will have a sinking fund sufficient to retire the entire issue by maturity. They will not be convertible, as are the present bonds, into common stock of the company.

Seaboard has come a long way since its emerged from receivership a few years ago. In addition to equipments, it originally had $32,500,000 of fixed interest debt, represented by First Mortgage 4s. These have been replaced by a smaller amount ($29,390,000 as of the end of last year) of new First Mortgage bonds with an interest rate of only 3%. The Income bonds were originally issued in the amount of $52,500,000. By the end of last year this had been cut to $40,553,900 and substantial further purchases have been made in the current year to date.

On the whole, then, and giving effect to the prospective refunding, the non-equipment debt will have been reduced by over $30 million in the relatively short time that has elapsed since reorganization. It is not only with respect to the reduction in debt and charges that this debt program has benefited the common stock. For one thing, additionally, retirement of the new outstanding Income 4½s will eliminate any danger there may have been of dilution through conversion of the bonds. The bonds are convertible at the rate of 10 shares per $1,000 bond. There is, of course, some possibility that the conversion privilege may become valuable during the 30-day call period but the danger from this possibility does not appear acute.

Another benefit to common stockholders from retirement of the Income 4½s is in the elimination of restrictive provisions put in the old indenture in the reorganization. One of these was the large, and potentially very serious, Additions and Betterment fund. This fund, which is a deduction before arriving at income available for dividends, amounted to $3,067,000 last year. The other restrictive provision to be eliminated in the refunding was the special debt retirement fund equal to any amount in excess of $2.00 paid on the common in any one year. At the present $5.00 dividend rate this fund required payment of $2,550,000 annually. Even the maximum annual sinking fund on the new bonds, which will retire them by maturity, will be considerably less.

Aside from the financial progress made by the road in recent years there have been other considerations contributing to the spectacular market action of the common stock. The road has had one of the best traffic and revenue trends in the industry in recent years, largely reflecting the growth characteristics of large parts of the service area and the consistent development of new traffic sources. From an earnings standpoint this traffic growth has been augmented by the improvement in operating efficiency brought about by the large sums spent on property improvements and new equipment, particularly diesels.

Reflecting the traffic improvement and the favorable trend of operating expenses, earnings on the common stock last year soared to a new postwar peak of $17.93 a share, before sinking and other reserve funds. The rise has continued in the current year with net for the first half up some 44% and prefund earnings on the common at $11.78 compared with $8.03 a year earlier. On the basis of results to date, and prospects over the balance of the year, there appears to be little question but that full year's results will top $20.00 a share by an appreciable margin. The property improvement program is virtually complete so that cash requirements for that purpose should be considerably less from now on. Reflecting that factor, as well as removal of restrictive provisions of the Income 4½s, the prospects seem bright for a further liberalization of dividends above the current $5.00 rate. Also, it is believed in many quarters that the stock will probably be split. Therefore, in the opinion of many analysts, the shares are still attractive despite the substantial rise they have already experienced.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

During the past week there were a couple of disquieting straws in the wind that appeared on the ticker tape. A thousand shares of various stocks were let go, and even though they were all sold within a point, and most of them recovered, the recovery seemed a feeble one. In practically each case a high grade stock was involved. Without having traced the selling too close, I'm practically certain that it came from a mutual fund for redemption purposes. By the same token I'm equally certain that the recovery was caused by another (or a group) of funds who were doing the buying.

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It might be argued that such buying is high quality. It might therefore be similarly argued that the selling that preceded was of equal high calibre. All these arguments, however, are academic. The fact is that there is something in the wind that doesn't augur well.

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As this is being written the familiar averages are about 279, up against a previous resistance area that I previously felt would be hurdled without too much trouble. This presupposed an avid buying public that would come in once a heavily publicized resistance area was negotiated. In the past few days, however, an inventory situation has come to light that shows that much more of the public is in than was previously known. One large brokerage house, with heavy business with the public, admitted it had three large accounts, each well over $100,000, which had remained static for months. Though these are trading accounts, nothing has been done because it required that something be sold before anything could be bought. And though all stocks were theoretically in the black, a sale would put them in the red.

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Income is apparently today a prime factor. And in this search for income, savings accounts have not kept pace with the national personal income figures which have been made public. It can be argued that savings accounts are up, and they are. But the percentage advance, in relation to income, is out of proportion. The money that usually goes into savings is now in the stock market, either directly or through mutual funds.

* * *

The major reason for this is the fear of inflation plus the larger income received from many stocks. In the past such a situation was not considered healthy. There have been many economic changes in the past few years, but I consider such a situation still, if not unhealthy, then certainly one that calls for caution.

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My advice is to tread very carefully from here on. Let the next fellow make the experiments.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Continued from page 5

The State of Trade and Industry

90 days. Converters regard this as general distrust of the market, since the same buyers were dealing for six or eight months back in 1951, reports this trade authority.

The scrap market has reacted to the steel settlement with resurgent strength. "The Iron Age" scrap steel composite price is now $42 per gross ton, up 25¢ from last week. This reflects full ceiling price for heavy melting steel at main consuming centers. Cast scrap is at the highest level since April as a result of the pig iron shortage.

Auto production, still hurt by the effects of the steel strike, will not return to normal until the first week of September, since it will take the industry that long to "start to roll," stated "Ward's Automotive Reports" at the close of last week.

Only about 215,000 cars and 60,000 trucks will be made in the "hectic 30 days ahead," it added. Last month production was limited to 160,000 cars and 38,000 trucks by lack of steel. By the end of September, however, the industry will be back on its feet with an output of 415,000 cars and 106,000 trucks, Ward's believed.

With this picture drawn, the agency expects the industry will be "fortunate" to build 4,150,000 cars this year, or about 22% less than last year. This estimated 1952 volume, however, would only be surpassed four times in history—1929, 1949, 1950 and 1951.

New business charters issued in June totaled 7,835, Dun & Bradstreet, Inc., disclosed, representing a drop of 1.0% from the May number of 7,915. It was the lowest for any previous month this year, with the exception of the short month of February. The June total, however, showed a rise of 15.1% above the 6,810 company formations recorded in the corresponding month a year ago.

With every month, except January, showing gains over 1951, the aggregate of new business incorporations for the first half of 1952 reached a total of 47,431, marking an increase of 6.0% over the 44,761 for the corresponding 1951 period. Two-thirds of all the states recorded a greater number of charterings for the six months' period as compared with a year ago.

Steel Output Rises Sharply to 83.6% of Capacity For Current Week

Steel is pouring from the mills in steadily rising volume again, says "Steel," the weekly magazine of metalworking. But it will take at least three weeks before pre-strike production schedules are regained.

Last week the national ingot rate jumped 31.5 points to 47% of capacity. It would have risen still more sharply except some producers were delayed in resuming by local disputes over seniority rights, incentive rates and other details in separate union agreements.

The impact of the strike in terms of its effect on the nation's economy will not be possible to assess for weeks to come, continues this trade weekly. The work stoppage was the most damaging in the industry's history, and the split decision which brought the workers back to their job is seen as setting off another spiral of inflation as the steel wage and price increases ran out to encompass related metalworking lines, eventually spreading to all business and industry.

Up to the end of last week over 17,500,000 net tons of steel were lost as result of the labor discord since last April. Additional millions of tons will be lost before the mills regain full production stride. Loss in sales and wages in June-July shutdown alone exceeds $4 billion, including time and production lost in related metalworking lines for lack of steel, and by the railroads. This figure will be pyramided as supply shortages restrict metalworking operations in many directions in the months ahead, this trade paper adds.

Effective distribution is sought through emergency changes in government allocation regulations. These give priority to military and defense needs, but also take civilian requirements into consideration. Special consideration is being given small consumers, indicated by new regulations affecting warehouse receipts and shipments. The principal objective of the new rules, "Steel" points out, is to make up military steel losses, if possible, before year-end. Military needs had been running just under one million tons monthly before the strike.

Business on steelmakers' books will be handled in the order received as far as practicable. No attempt will be made to wash out the carryover of unfilled orders before first quarter next year. Fourth quarter advance allotments for civilian consumers will be allowed to stand. However, first quarter 1953 allotments may be cut back, this trade magazine states.

Steelmakers are expected to announce new product price lists this week. The increase is retroactive to July 26. In general the new ceilings follow the industry formula. The overall average increase, about 4.7%, comes out around $5.20 on carbon steel items with proportionate increases on alloy and stainless. The $5.20 hike is computed by adding the Capehart increase of $2.84, the recent freight boost of 70 cents, and an allowance of $1.66 to cover the wage hike, concludes "Steel."

The American Iron and Steel Institute, announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 83.6% of capacity for the week beginning Aug. 4, 1952, equivalent to 1,737,000 tons of ingots and steel for castings. In the week starting July 28, the rate was 42.9% (revised) of capacity and actual output totaled 891,000 tons. A month ago output stood at 14.2%, or 295,000 tons.

Electric Output Pushes Higher in Latest Week

The amount of electric energy distributed by the elecrtic light and power industry for the week ended Aug. 2, 1952, was estimated at 7,404,913,000 kwh., according to the Edison Electric Institute.

The current total was 76,682,000 kwh. above that of the preceding week when output amounted to 7,328,231,000 kwh. It was 401,704,000 kwh., or 5.7% above the total output for the week ended Aug. 4, 1951, and 1,157,449,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Declined Slightly in Latest Week

Loadings of revenue freight for the week ended July 26, 1952, which were affected by the steel strike, totaled 607,271 cars, according to the Association of American Railroads, representing a decline of 1,686 cars, or 0.3% below the preceding week.

The week's total represented a decrease of 213,205 cars, or 26% under the corresponding week a year ago, and a decrease of 237,740 cars, or 28.1% below the comparable period in 1950.

United States Auto Output Drops to Lowest Point Since Post-War Low in Week Ended March 2, 1946

Passenger car production in the United States the past week, according to "Ward's Automotive Reports," declined to 14,450 units compared with 29,882 (revised) units in the previous week and 86,277 units in the like week a year ago. It was the lowest figure reached since the post-war low in the week ended Mar. 2, 1946.

Total output for the past week was made up of 14,450 cars and 4,595 trucks built in the United States against 29,882 cars and 6,450 trucks (revised) last week and 86,277 cars and 28,990 trucks in the comparable period a year ago.

Canadian output which was also affected by the steel strike declined last week to 2,375 cars and 1,195 trucks. In the preceding week 4,957 cars and 1,225 trucks were built and in the like week a year ago, 1,358 cars and 385 trucks were turned out.

Business Failures Show Further Mild Increase

Commercial and industrial failures rose to 152 in the week ended July 31 from 137 in the preceding week, Dun & Bradstreet, Inc., notes. While casualties were only slightly lower than in 1951 and 1950 when 171 and 168 occurred respectively, they were down sharply, 45%, from the pre-war total of 277 in the similar week of 1939.

Failures involving liabilities of $5,000 or more increased to 125 from 119 last week but remained below the 137 of this size a year ago. An increase also took place among small casualties, those having liabilities under $5,000, which rose to 27 from 18 but did not reach the comparable 1951 total of 34.

Retailing and commercial services accounted principally for the week's rise in mortality. More retailers succumbed than last year, but all other industry and trade groups had fewer failures than in 1951.

Five geographic regions reported weekly rises in failures, including the Middle Atlantic States. Small declines brought the toll in the Pacific States down to 31 from 37, and in the East North Central States to 16 from 19. Casualties equalled or exceeded the 1951 level in all except three regions, the Middle Atlantic, Pacific and West South Central States where mild dips from a year ago prevailed.

Wholesale Food Price Index Approaches 1952 Peak

Up 4 cents in the week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., stood at $6.63 on July 29. This was almost equal to the 1952 peak of $6.64 recorded last Jan. 1, and represented a rise of 5.1% over the year's low ($6.31) touched on April 22. It compared with $6.91 at this time a year ago, or a drop of 4.1%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Recovers From Slump of Previous Week

The general price level moved upward last week after reaching a two-year low the week before. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., finished at 292.64 on July 29, up from 289.21 a week earlier. At this time a year ago it stood at 302.09.

Most grains registered further moderate advances the past week despite some bearish news in both wheat and corn. The movement of the large winter wheat crop has about passed its peak. Market receipts continued in good volume but were well below the record arrivals earlier in the month. The carry-over of wheat in all positions as of July 1 was estimated by the Department of Agriculture at 254,000,000 bushels, as compared with 196,000,000 bushels a year ago. Corn prices made steady gains during the week, aided by limited receipts of cash grain, including government-owned grain, and a more profitable corn-hog feeding ratio.

The general corn crop outlook continued good although some deterioration was reported in dry areas of Kansas and Oklahoma.

Oats prices held up well despite heaviest market receipts of the new crop season. Trading in all grain and soybean futures on the Chicago Board of Trade last week was equal to a daily average of 39,400,000 bushels, or slightly more than the previous week and well above a year ago.

Activity in the domestic flour market was irregular and spotty at the weekend. Scattered fair to moderate-sized bookings of spring wheat and rye flours were reported earlier in the week, but interest in other flours was small. Export flour business continued rather slow. Demand for cocoa was quite; prices moved in a narrow range and showed a further slight drop for the week. Warehouse stocks of cocoa increased to 120,281 bags, from 112,470

a week ago, and compared with 179,480 a year ago. The raw sugar market was dull and featureless.

Interest in refined sugar was limited, although shipments against orders previously booked continued quite heavy.

Trading in lard was active with prices moving substantially higher. Live hog values also advanced sharply as market receipts continued to run materially under a year ago.

Spot cotton prices were generally firm and higher particularly in the latter part of the week, following reports of deterioration in the new crop due to dry weather over much of the belt. Early support was prompted by moderate mill price-fixing, the settlement of the steel strike, and firmness in outside markets.

Inquiries for new crop cotton showed considerable increase with strong demand from shippers for high quality cotton for prompt shipments.

Demand from foreign sources showed some improvement. Reported sales of the staple in the ten spot markets last week increased to 57,900 bales, from 48,000 the previous week, and 39,900 in the corresponding week a year ago. Trading in the cotton gray goods market was rather dull but prices generally held steady.

Trade Volume Holds at Reduced Level Due to Hot Weather

The torrid temperatures prevailing in many parts of the nation in the period ended on Wednesday of last week held retail shopping close to the reduced level of the prior week. As during the preceding week most shoppers restricted their purchases to the needs of the moment. Consumers responded spiritedly to clearance sales of seasonal merchandise when price cuts were quite sharp.

Consumer sentiment improved substantially in those cities in which the long steel dispute had hampered spending.

Retail dollar volume in the week was estimated to be from 1 to 5% higher than the level of a year ago. Regional estimates varied from the comparable 1951 levels by the following percentages: New England 0 to +4; East —2 to +2; Midwest —1 to +3; South +3 to +7; Northwest +2 to +6; Southwest and Pacific Coast +3 to +7.

Shoppers bought about as much apparel as during the preceding week although merchants had to resort to many reduced price clearances to sustain consumer interest. Sportswear, both men's and women's, remained the most popular item in many cities. Retailers of apparel generally had larger receipts than in the similar 1951 week. The purchasing of shoes was well above last year's level.

Slightly more food was purchased than in the previous week and in the corresponding week a year earlier. Frozen foods, dairy products, and oleomargarine were in much larger demand than a year ago. The prices of fresh produce continued to increase as crops were damaged by dry, hot weather.

The interest in household goods slipped slightly last week and continued to be noticeably below the level of a year ago. Still in demand, however, were room air conditioners, washers and home freezers.

Television sets continued to be more popular than a few months ago, and used car prices inched upward steadily.

The tempo of trading in many wholesale markets accelerated slightly in the period ended on Wednesday as buyers made active preparations for the arrival of the fall selling season. The aggregate dollar volume of wholesale trade did not vary appreciably from the level of a year before and was about 10% below the all-time high reached in the first few months of 1951 when the Korean crisis induced frantic inventory building. Buyers were less reluctant to order beyond their immediate needs than in recent months.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended July 26, 1952, fell 2% below the level of the preceding week. For the four weeks ended July 26, 1952, sales rose 1%. For the period Jan. 1 to July 26, 1952, department store sales registered a decline of 3% below the like period of the preceding year.

Retail trade in New York last week held close to that of the previous week with food sales off due to high temperatures. Volume was estimated at 6% under the 1951 level.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended July 26, 1952, decreased 10% below the like period of last year. In the preceding week a decline of 12% (revised) was recorded from that of the similar week of 1951, while for the four weeks ended July 26, 1952, a decrease of 10% was registered below the level of a year ago. For the period Jan. 1, to July 26, 1952, volume declined 10% under the like period of the preceding year.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market seems to have gone over to the defensive, due mainly to the 2% certficate rate which the Treasury used in meeting the August and September maturities of one-year, 1⅞% obligations. Tight money conditions are the reason for the higher one-year rate which the Treasury had to adopt in its refunding operation. For a time, there had been considerable caution in the market because of the opinion that an increase was likely to come in the short-term rate with the impending refunding. This put a damper on the market as far as an upswing in prices was concerned and it likewise tended to limit volume and activity. Seemingly as a prelude to the refunding and because of tight money conditions, the market had a sizable shake-out ahead of time, when investors had to raise funds in order to make payments for non-government obligations. The mild rally that was underway following this liquidation was not strong enough to cope with the selling that came into the market with the announcement that the Treasury was taking care of its refunding with a 2% certificate. As a result, prices went scurrying down with enlarged volume. A period of backing and filling will no doubt take place while the market is trying to establish a new pattern of yields and prices.

Tight Money Policy Implemented

By refunding the Aug. 15 and the Sept. 1 maturities of 1⅞% certificates with a one-year 2% obligation, another turn was taken in the screws in order to make the pressure of tight money a bit more binding on the money markets. The Treasury by putting out a 2% certificate is apparently going along with the current policy of Federal, that of keeping the money markets tight. The apparent reason for the continued pressure on the money markets by the Central authorities is the fear that another shot of inflation is going to be administered to the economy. The settlement of the steel strike with higher wages and higher prices could set in motion a trend that has had inflationary implications in the past. Whether it will or not, will be known only with the passing of time.

However, until there is some clarification as to what is likely to take place in the economy, it seems rather definite that Federal is going to keep the pressure on the money markets in the form of tight money. The Federal authorities do not have the same instruments now to combat the forces of inflation that they had in the past, so greater use must be made of money tightening measures in order to do what they can to limit or retard these undesirable forces.

2% Rate a Surprise to Market

The issuance of a 2% certificate by the Treasury was somewhat of a surprise to the money markets, despite the fact that quotations of most of the government obligations had declined rather sharply before the announcement had been made. The recession in prices of Treasury securities before the refunding was made known was attributed to the need by banks and corporations to raise funds that had to be used to make payments for municipal and corporate bonds. The market was thin and it did not take much selling to push quotations down rather rapidly.

Nonetheless, it is indicated that quite a few Treasury securities were bought by the so-called strong holders as prices receded. This was supposed to be especially true of the new 2⅜s as they broke the 100 level. Although a mild rally ensued after the initial sell off, the edge was quickly taken off the market when the announcement was made by the Treasury that a 2% certificate would be used to refund the August and September maturities. A defensive market has been the result of the new Treasury financing and there are indications that caution will continue to prevail among the operators in government obligations. For a while it seems as though the bank eligible issues will not have too much attraction as far as the commercial banks are concerned because these institutions will most likely be hard pressed for funds as a result of the tight money policy of the Federal authorities.

Buying on Price Recessions Expected

As far as the higher yielding governments are concerned, particularly the ineligibles, there has been and still is considerable interest in the market for these obligations. Nevertheless, the potential buyers of the higher income issues are not going to rush into the market, according to advices, but will be more inclined to make commitments with price recessions. Considerable switching and swopping is likely to be done by these operators as the opportunities are presented. In nearly all instances the purpose of these exchanges will be the building up of income. To be sure, some switches will be made for maturity purpose, but it is not believed this will be as important as the income producing operations.

No Change in Rediscount Rate

With a higher rate for Treasury certificates, there has been some concern about the rediscount rate. The general opinion seems to be that there will be no change in this rate. By keeping it where it is, there will be more of a tendency to borrow from the Central Banks in order to meet reserve requirements and less of the need to sell Treasury issues in order to meet these same requirements. Discounts and advances at Federal reached the highest levels since March 8, 1933, when they soared to $1,403,235,000 for the period ended July 30. As a reflector of the tight money conditions, discounts and advances at the Central Banks have gone up each week for the past five weeks from the recent low point of $306,557,000 which was registered on June 25.

The passing up by the Treasury of the option to retire the 2% of 1952/54, 1952/55 and the 2¼s of 1952/55 on the next call date, Dec. 15, was not unexpected in view of the higher trend of interest rates.

Andrew Dott Joins J. G. White Staff

J. G. White & Co., Inc., 37 Wall Street, New York City, has announced that Andrew B. Dott has been appointed Manager of that company's municipal bond department. Mr. Dott was in the government bond department of Harriman Ripley and Co. from 1940 to 1942. He joined The First Boston Corporation in 1942 and served in its government bond department until 1948. Since that time he has been with the municipal bond department of the Marine Trust Company of Western New York.

Andrew B. Dott

With Daniel Reeves Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Julian F. Fleg has joined the staff of Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges. Mr. Fleg was previously with Shields & Company.

With Hamilton Manage't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Vernon C. Eiker and Darrell B. Weimer have become associated with Hamilton Management Corporation, Grant at Forrest Drive.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

DOUGLAS, Ga. — Norwood F. Guilford has been added to the staff of Waddell & Reed, Inc.

Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

WAYCROSS, Ga. — Everett L. Taylor, Jr. has joined the staff of Waddell & Reed, Inc.

Join Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—William F. Steed and Scott T. Wennerstrum have become associated with Hornblower & Weeks, 134 South La Salle Street. Mr. Steed in the past was with James E. Bennett & Co.

Inv. Service Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Gerald R. Filer has joined the staff of Investment Service Corporation, 444 Sherman Street.

Dempsey Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Thomas A. Harrington has joined the staff of Dempsey & Company, 135 South La Salle Street, members of the Midwest Stock Exchange.

Joins Oscar F. Kraft

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Clarence W. Turner has become connected with Oscar F. Kraft & Co., 530 West Sixth Street.

Warren Bayley Opens

(Special to THE FINANCIAL CHRONICLE)

INGLEWOOD, Calif. — Warren Bayley has opened offices at 333 South Glasgow Avenue to engage in the securities business.

With Francis I. du Pont

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Logan Shillinglaw, Jr. is now associated with Francis I. du Pont & Co., 723 East Green Street.

Rex Merrick Opens

(Special to THE FINANCIAL CHRONICLE)

BURLINGAME, Calif. — Rex Merrick is engaging in the securities business from offices at 1425 Drake Avenue. He was previously with Francis I. du Pont & Co.

With Kentucky Co.

(Special to The Financial Chronicle)

LOUISVILLE, Ky.—Robert T. Vail has become affiliated with The Kentucky Company, Louisville Trust Building, members of the Midwest Stock Exchange.

Mutual Funds

By ROBERT R. RICH

GROSS NATIONAL Product for the balance of this year will largely be determined by Federal spending for national defense and security according to a current study on the subject by Calvin Bullock. Thereafter, however, the study points out that "—certain of the firm supports currently in effect will be partially removed and the level of future output will be more intimately concerned with consumers' demands for goods and services."

Based on a mounting rate of defense expenditure, a continued high level of private investment and moderately higher rates of spending by consumers, the National Product will probably attain a rate of about $352 billion per annum in the final quarter, the company reports.

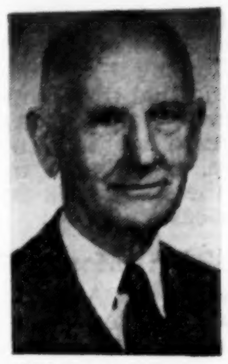
It is possible, the study finds, that consumer spending toward the end of this year and early next year may be $2 or $3 billion higher than projected. The study also points out that: "With all its potency the strike is a transient factor whose effect is likely to be washed out by broader and more fundamental forces. In this way the strike acts somewhat like the 'stretch-out' of the defense plans and might push the attainment of the National Output peak into the future."

"Consumers seem to expect an adequate and indeed plentiful supply of goods," the company says, "but there appears to be less expectation of further drastic price reductions such as have affected hard goods and a large segment of soft goods in the past year. We believe the price outlook will be mildly encouraging for consumer buying, but the assurance of ample supplies will prevent any rush to 'beat the hoarders.' No statistics are available to measure the level of goods actually held by consumers, but the general impression from our local observation is that consumers are well-stocked but not over-stocked. Indications are that the high rate of personal savings last year was largely in liquid form and consumers liquid assets at the end of the year were over $190 billion."

Referring to the certain firm supports of the current upward movement which may be partially removed, the study declares: "Our present opinion is that after March, 1953, government expenditures will level off and, of course, provide less economic stimulus than a rising trend of such spending." The company adds that it does not wish to imply that the topping off of the present boom is to be followed by a serious down-turn in business activity.

"Projections as to the course of future economic activity can at any time be only tentative," the study concludes, "and must be constantly reviewed and often revised in the light of current developments. We wish to emphasize the importance of constantly attuning economic thinking to developments which impinge upon spending by government, business, consumers and foreigners in the American economy."

A PUBLIC offering of securities in a new mutual common stock fund, Commonwealth Stock Fund, was made Friday, through investment dealers, according to an announcement made by S. Waldo Coleman. The initial offering price is $21.74.


S. Waldo Coleman

Mr. Coleman, President of North American Securities Company and Commonwealth Investment Company, is President of Commonwealth Stock Fund. Other officers are George E. Crothers, Vice-President; Douglas R. Johnston, Vice-President; Robert L. Cody, Vice-President and Secretary-Treasurer; and Lewis V. Coleman, Vice-President. The Fund's board of directors is composed of S. Waldo Coleman, George E. Crothers, Roy W. Cloud, Alan Field and Charles Kendrick.

The new fund is under the same management as Commonwealth Investment Company, a $53,000,000 mutual fund organized in 1932 by President Coleman.

"Commonwealth Stock Fund will invest its funds primarily in common stocks of seasoned, well-established companies, particularly those which appear to the management to have better than average long-term growth possibilities," said President Coleman.

At the present time Commonwealth Stock Fund Shares may be sold in 18 states. The President expects the list of states to increase substantially during the next few months.

North American Securities Company, nationwide distributors for Commonwealth Investment Company, with wholesale representatives in New York City, Boston, Washington, D. C., Chicago, Dallas, St. Louis, Los Angeles and San Francisco, are also the distributors for the shares of Commonwealth Stock Fund.

JOHNSTON, LEMON & Co., as principal underwriter, is offering a new issue of 380,000 shares of the capital stock of Washington Mutual Investors Fund at a price of $10.72 per share.

The fund, incorporated in Delaware, is an open-end diversified investment company required by its charter to hold only common stocks eligible for the investment of trust funds in the District of Columbia and to maintain a fully invested portfolio of such legal issues.

The underwriter states that Washington Mutual Investors Fund is believed to represent a new basic concept in mutual funds as it is understood to be the first fund in the United States to offer exclusively an "all-legal" portfolio.

The initial diversification policy of the fund is to hold not less than 40 nor more than 80 different issues in not less than 15 industries.

To provide for the continuous supervision of its investments and to conduct its investment program, the fund has entered into a contract with Capital Research and Management Company as the Fund's Investment Adviser.

Under another contract, the investment banking firm of Johnston, Lemon & Co. will serve as the fund's business manager, rendering various services including the furnishing to the fund of the fund's executive personnel.

The Riggs National Bank of Washington is custodian and American Security and Trust Co. of Washington is transfer agent.

Officers and directors of the fund are: James M. Johnston, Chairman of the board, President and director; James H. Lemon, Vice-President and director; Bernard J. Nees, Executive Secretary; Harvey B. Gram, Jr., Treasurer; other directors are George E. Allen, James F. Cummins, Jonathan B. Lovelace, Jo V. Morgan, and Davis Weir.

The Advisory board consists of Robert C. Baker, Barnum L. Colton, Leo Goodwin, Robert P. Smith, Frederic N. Towers, William F. Vandoren, Dr. Charles S. White, and Roger J. Whiteford.

A PERSON who signs up to invest regularly under a mutual fund's periodic plan normally mails a check to meet his commitments. But not necessarily his own check. Over at the cashier's office of Group Securities they report that such investors frequently send along corporation dividend checks, checks from life insurance companies, checks from brokerage firms and checks written by individuals other than the sender. Properly endorsed these checks are of course acceptable. At Group Securities they say that the investor is canny, suiting his own convenience, and perhaps saving dimes by holding down the activity of his own checking account.

OPEN-END REPORTS

TOTAL NET assets of Dividend Shares, a diversified investment fund under Calvin Bullock management, on June 30, 1952 amounted to $111,007,668, equal to $1.95 per share on the 56,839,042 shares then outstanding. This compares with total net assets of $92,087,858, equal to $1.76 per share on the 52,348,953 shares outstanding on the corresponding date in 1951.

Unrealized appreciation on June 30 was $29,643,808 compared with $18,506,266 on the same date last year.

On June 30, 1952, common stock holdings of Dividend Shares accounted for 87.83% of total net assets; U. S. Government bonds, 8.64%; preferred stocks, 0.12% and cash, and equivalent, 3.41%.

The five largest industry group holdings of common stocks were: Petroleum, 13.65% of total net assets; Utilities, 13.54%; Railroads, 8.49%; Retail Trade, 6.92%; and Chemicals, 5.76%.

During the three months ended June 30, the most notable change in the investments owned by Dividend Shares was an increase of approximately 2% in holdings of common stocks of utility companies. Purchases of common stock shares during that period included Air Reduction Company, Incorporated, 7,000; American Gas & Electric Company, 9,200; Bristol-Myers Company, 10,000; Commercial Solvents Corporation, 22,800; El Paso Natural Gas Company, 10,900; Gulf States Utilities Company, 10,000; Iowa-Illinois Gas & Electric Company, 18,300; Washington Gas & Light Company, 9,100; and Wisconsin Electric Power Company, 21,000.

Common stock sales included 8,100 shares of Doehler-Jarvis Corporation; 6,200 Deere & Company; 16,900 Middle South Utilities, Inc.; and 8,000 Southern Railway Company. Holdings of the common stocks of the following companies were eliminated from the portfolio; Caterpillar Tractor Co., Creole Petroleum Corporation, National Gypsum Company, St. Joseph Lead Company, Sinclair Oil Corporation and United States Gypsum Company.

ACCORDING to the semi-annual report of Commonwealth Investment Company, net assets reached $52,026,373, on June 30, 1952. This compares to $42,493,826, at the beginning of the year, which reflects an increase of 23%.

The report shows 7,454,804 shares outstanding as against 6,212,732 on Dec. 31, 1951. The number of shareholders amounts to 31,500.

On June 30, 1952, the largest industry holdings were: Oil (13.9%); Public Utilities-Electric (9.3%); Chemicals and Drugs (4.7%); and, Public Utilities-Natural Gas (3.3%).

WALN HARE, Vice-President, National Securities & Research Corporation, reports a new high in net assets of $103,417,921 on July 31. This represents a net increase of almost $10,000,000 since end of fiscal year on April 30 when the assets were $93,793,058.

During the past 60 days, investments in steels, railroads and auto stocks were increased by the "National" management. One new commitment was 10,000 Wheeling Steel. Substantial additions were

made in Great Northern Rwy. preferred, St. Louis & San Francisco 5% preferred, Delaware & Hudson Co., Chrysler, Inland Steel, Republic Steel and U. S. Steel.

NET ASSETS of Growth Industry Shares were $2,911,000 at the end of its fiscal year on June 30, last, compared with $2,024,000 on June 30, 1951. Net asset value per share was $27.02, against $25.13 a year earlier. On June 30, 1950, net asset value per share was $21.30. In the latest fiscal year, shares outstanding increased to 107,746, from 80,560.

Dividends paid during the year were $1.08 per share from investment income and $1.18 per share from capital sources.

At the year-end the company's funds were about 95% invested—in 42 common stocks and three preferred stocks.

During the quarter ended June 30, 1952, five new stocks (Arvin Industries, Florida Power preferred, Mathieson Chemical preferred, McGraw Electric and Southern Natural Gas) were added and four stocks were eliminated. Also, 17 existing holdings were increased and two were reduced.

Discussing the current high degree of selectivity in the stock market, Harland H. Allen, President, pointed out that only a small fraction of listed stocks has reached new high postwar ground with the steel strike settlement and the nomination of "acceptable" candidates by both political parties. A list representative of "average business" would not be in new high ground, and one which stressed non-defense industries would now be far under its 1946 peak.

With its emphasis on growth stocks, Growth Industry Shares showed a 12.2% gain (including distributions from capital sources) in net asset value per share during the 1951-52 fiscal year.

NEW PROSPECTUSES

BLUE RIDGE MUTUAL FUND on July 28, 1952 revised its prospectus of Jan. 3, 1952. Copies are available without obligation from 14 Wall Street, New York, N. Y.

COMMONWEALTH STOCK FUND, a new open-end investment company, has released for dealers a new prospectus dated May 20, 1952. Copies are now available from 2500 Russ Building, San Francisco, California.

MINNESOTA FUND, on June 23 revised its prospectus of March 7, 1951. Copies may be obtained from 2500 Rand Tower, Minneapolis 2, Minn.

SCUDDER, STEVENS & CLARK Common Stock Fund's latest prospectus is dated April 1, 1952, and is obtainable from 10 Post Office Square, Boston, Mass.

WASHINGTON MUTUAL INVESTORS Fund, a new open-end investment company whose portfolio will contain only "legal list" securities eligible for trust fund investment in the District of Columbia has released its first prospectus dated July 31, 1952. Copies may be obtained from Johnston, Lemon & Company,

Continued from first page

What's Ahead for the Market?

dividend paying ability. Merely to say that stocks are priced at more dollars per share now than at some time in the past does not establish that stocks are higher now than they were then. They are not the same stocks.

Stocks are selling, on the average, at somewhere between 10¾ times and 11¾ times current per share earnings to offer an average dividend return of somewhere between 5.4% and 5.9%. Whether you use the Dow-Jones computations, or those of Standard & Poor's, or Barron's 50 stocks, or the figures prepared by Moody's Investment Service, you arrive at just about the same range for price-earnings ratios and dividend yields.

The spread between yields on stocks and yields on bonds has narrowed to somewhere between 2½ percentage points and 2¾ percentage points. The ratio in favor of stocks versus bonds is not as high as it was a year or two ago but the spread still is much broader in favor of stocks than it has been at the top of previous bull markets.

Divergence in Yield

These averages of price-earnings ratios and averages of yields, however, give a poor idea of where individual issues are selling. According to the monthly compilation which Harold Clayton prepares for H. Hentz & Co., at the end of June only about 182 of the 1,042 common stock issues listed on the New York Stock Exchange were selling to yield as much as 5% but no more than 5.99%, and only 158 were selling to return as much as 6% but less than 6.99%. Thus, only 340 of the 1,042 listed issues sell near the average yield for the entire group. According to Mr. Clayton's figures (which are published monthly and may be obtained for a fee) at the end of June, 52 stocks on the New York Stock Exchange yielded 10% or more, 46 were in the 9% range, 116 in the 8% range, and 146 were in the 7% range. Only 187 of the dividend payers offered a return of less than 5%.

One of my highly competent analyst friends, who has been above average accurate in the past, tells me that up to the time of the steel strike he was estimating that earnings on the Dow-Jones Industrials this year would be $24.50 a share compared with $26.69 a share in 1951, according to his independent computation. He now estimates that the steel strike will result in 1952 earnings on the Dow being cut to something between $23 and $24 a share. His projections into 1953 call for earnings of $25 a share on the Dow next year.

The same source is estimating dividends on the Dow this year at $15.15 to $15.25 a share compared with $15.32 a share in 1951, and dividends in 1953 at $15.50 a share.

Actually, this year's total dividend payment in dollars for all corporations probably will be at least even with 1951. The Dow-Jones Industrials, of course, do not take into consideration higher dividend payments on utility shares and on rail shares. According to the Department of Commerce, total dividend payments in the first half of 1952 were about 5% ahead of last year.

In the absence of actual figures, it may be estimated that aggregate corporate earnings in the first half of 1952 were about 17% under the same period a year ago. The third quarter unquestionably will extend this percentage of decline to a larger figure for the first nine months. The fourth quarter probably will narrow the percentage of decline again, perhaps to around 15% to 18% for the 12 months. I would guess that dividend payments this year will be about the same as in 1951 in spite of an estimated 15% to 18% decline in earnings after taxes. The dividend payout still will be relatively conservative at not far from 65% of earnings, but obviously considerably more liberal than in late years when it has been down in the 47%-56% range.

It has been said that this is a selective market. Since Jan. 1, the Dow-Jones 70 Stock Average has around 107, or about 10%. Of the common stocks listed on the New York Stock Exchange, however, only about 200 issues have advanced in amounts between 6% and 15%. At least 535 issues, or more than half of all the common stocks listed, have declined since Jan. 1 and only 191 have advanced 10% or more.

These figures merely document selectivity. Selectivity is further documented every day by the list of new highs and new lows published in the "Wall Street Journal," and is still further documented by a study of price-earnings ratios.

Perhaps the most remarkable thing about this stock market, however, is the exceedingly low rate of ownership turnover. In the first seven months of this year, turnover on the New York Stock Exchange was at the annual rate of only about 12%. In other words, it would take approximately eight years at the current rate of trading to trade in every listed share once, provided there were no duplications.

Lowered Activity

Quite remarkably, the turnover this year, with the market higher than it has been at any time in 20 or 21 years (on a dollar basis), is within striking distance of the lowest level ever recorded. Other low turnover years were 13% in 1949, 14% in 1947, 14% in 1940, 12% in 1941 and 9% in 1942. As recently as 1950, 23% of all listed stocks were traded, compared with 22% in 1946 and 24% in 1945.

There can be no argument with the conclusion that owners of common stocks more and more regard themselves as permanent investors rather than as in-and-out traders. Analysts know it from their personal experience, and the figures regarding turnover definitely prove it.

To give some idea of the change which has taken place in the rate of trading on the New York Stock Exchange, some interesting figures can be cited. In 1901 the turnover was 319%; in 1905 244%; in 1907, 160%; in 1916 145%; in 1919, 153%; in 1925, 90%; in 1928, 132%; and in 1929, 119%. Since 1937, turnover never has been higher than 24% in one year.

What do these jumbled facts suggest? It seems to me they merely document the things that we all know. For a long time there has been a surfeit of caution among investors. To paraphrase Churchill, never have so many people been cautious about so much. This has prevented and still is preventing market excesses. Price-earnings ratios are low and dividend yields are high. There has been an increased participation by sophisticated investors and a negligible interest by the unsophisticated. There has been very little speculation. Investors have been highly selective. This is documented by the wide scope of yields and price-earnings ratios.

Generalizations

Looking to the future, a few generalizations would seem justified. I will try not to talk in well-hedged platitudes, but I will not try to be a prophet.

First, psychologically and mathematically, the market is not dangerously over-exploited. Stocks are appraised realistically rather than with too much optimism or pessimism.

Second, sweeping statements about the market going way up or way down should be discouraged. It is not that kind of market. People constantly are re-evaluating individual issues rather than re-evaluating the market as a whole. The market's selectivity is not a temporary phenomenon.

Third, at present the lack of speculation is at once the market's weakness and the market's strength. It is the market's weakness because we can have no broad advance of the boom type until there is more of a disposition to enthuse and take risks. It is the market's strength because so long as there is no over-speculation there is only isolated and incidental over-evaluation to correct.

Fourth, broad stock market movements, accomplishing advances or declines of 10% or more in the averages, are unlikely to result from the things everyone knows. The chief danger of a larger decline in market prices from this level, and the chief hope of a larger advance, must rest in things we do not know or suspect rather than in the things about which almost every investor and almost every market commentator is talking.

Fifth, over the short term, say between now and sometime in the fourth quarter, it is my opinion that the Dow-Jones Industrials and the Dow-Jones Rails are more likely to advance than to decline. Stocks recently have tended to ignore adverse news items and adverse developments, and most things point to a better business and earnings trend and to a more inflationary environment over the next few months. Like the rest of you, I wonder what will happen after election.

Election Implications

A great many investors have suggested to me that the market will go down after election regardless of which Presidential candidate wins. They reason that if Governor Stevenson wins, the Republicans will be disappointed, as they were four years ago, and that some people will sell stocks. They reason that if General Eisenhower wins, at least after the initial enthusiasm of a celebration, people will begin to wonder whether a change in Washington is not deflationary and some will sell stocks. The trouble with this reasoning, it seems to me, is that too many people already have the thing all doped out, and the market has a way of not doing the thing the majority expect it to do.

If stocks had followed majority opinion, as I have heard it expressed over the past 20 years, I submit the Dow-Jones Industrials today would be selling at nearer 100 than at 280.

If you lift the passion out of political interpretations of the investment outlook, you will recognize that Stalin has a bigger voice in determining American economic conditions over the next few years than do the voters of the United States. Neither Eisenhower nor Stevenson are isolationists, and politically (in spite of their extremist supporters) both stand in the middle of the road. Eisenhower is not far to the right and Stevenson is not far to the left. Restraining every really radical political move, as has been the case ever since World War II, is a Congress which is pitched to the right of center because of the continuing loose coalition between Northern and Southern conservatives. I question, therefore, whether anything that happens in November will be a reason for more than a short-lived emotional spree in the investment markets.

I would warn, on the other hand, that if the present incipient upward movement in stocks should broaden out into a real speculative spree between now and the end of the year, there could be quite a correction late in 1952 or early in 1953.

As I see it, however, neither the economic nor the technical background for an important decline in stocks yet exists. Our problem is to see that investors own the right stocks, not to get them to go into cash now.

With Neary, Purcell

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John J. Byrne has become affiliated with Neary, Purcell & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. Mr. Byrne was formerly with Noble, Tulk & Co. and C. A. Botzum Co.

Joins Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

NEW BRITAN, Conn.—Irvin G. Boudreau has become affiliated with Shearson, Hammill & Co., 99 West Main Street.

Sweeney & Co. Add

(Special to THE FINANCIAL CHRONICLE)

NEW BRITAIN, Conn. — Margaret R. Wiecek has joined the staff of Sweeney & Co., 55 West Main Street.

Continued from first page

As We See It

War I. The inflation thus injected into the agricultural situation inevitably saturated agrarian districts and played hob when the going began to get rough. But it remained for President Roosevelt to invite the farmers themselves to decide what the remainder of the country should do to provide them with a more abundant life.

Using Monopoly

Another element in the population which has of late years more and more come to depend upon monopoly to obtain income its work would not otherwise bring is organized labor. An excellent and dramatic illustration of this has just recently been provided by the steel workers and their union—and the Administration of President Truman. As a result all of us will be obliged to pay the workers in the steel mills more than they could have obtained without pointing an economic gun under the nose of the rest of the community—a gun provided and loaded, as it were, by the Government of the United States. The steel workers were already among the best paid workers in the country, but they have not been alone in this practice of squeezing more and more out of the public for less and less work. Such indeed has become a regular practice, a practice, incidentally, which is now regularly pushed to the point where it no longer is to be regarded as merely a load upon the employer.

And it now often is not merely a living during the working days of the wage earner, but at least part support for him when his working days are over that is being demanded—and obtained. Men and women who do less rather than more work now demand as their right that employers shall pay a substantial part of the cost of maintaining them when they are too old to work. And so we might continue to list the various "benefits" which wage earners expect for less work than they used to do without these extras. The economy is able to bear all this — if indeed in the long run it proves to be able to bear it at all—by reason of better tools, equipment, and organization, in none of which the wage earners have any appreciable part.

The Veterans, Too

But it would be unfair to dwell too long upon what organized labor is doing in these respects. Space must likewise be given to some recognition of the others who expect at least a part of their living without working for it. The veterans of recent wars in which we have taken part constitute a saddening case in point. It would be difficult to say how many votes these veterans and their organizations really can or do control. Clear enough it is, though, that the "practical politician" believes or is afraid that they control enough votes to be well worth buying and dangerous to ignore. There was a time when much was heard about the "pension scandals" of earlier wars—and they were scandals in every sense of the word. So some bright mind came forward with the idea of having these matters fixed in advance by "insurance" and the like. Well, what has actually happened is that the pensioners were handed some terms which sounded better than the old ones, and they have seized upon them to justify and to obtain many, many times what the old pensioners ever were able to worm out of the remainder of the country—and they find it possible to hold their heads up while they do it!

Of course, it is true as sometimes cited in defense of all this chicanery that subsidies are not new, that a good many who now decry largesse to other elements in the population have been "aided" in one way or another for a long, long time. There are manufacturers who in times past have enjoyed something akin to immunity from foreign competition by means of tariffs. Not a few of them still enjoy something of the sort. It was this situation that the farmers used to decry, adding that the very nature of their business and of the world situation made it impossible for them to obtain similar protection. Then followed numerous efforts to provide the agriculturist with equivalent help, finally to be succeeded by direct payments. Shipping is another industry which has now come to regard subsidy as its right—partly, it is true, due to labor pampering in this country over which the industry has little or no control and to laws which prevent it from getting labor where labor is cheaper.

But all this does not in the least argue that these evils may be cured or rendered harmless by the simple process of adding others to the list. We as a people would be better off if we, each and every one of us, depended for our living upon what we do ourselves. The way to make a living is still to work for it.

And Foreign Nations

Of late thoughtful observers could scarcely escape noticing how well a number of foreign nations are copying elements in our own population which insist upon using their position to demand more than they earn. One can scarcely believe that such countries as France, for example, is not playing us for all that they can get from us by whatever device comes to hand. Britain is far from free from the same sort of tactics. One would suppose that it was not these peoples themselves who would be the first to feel the brunt of any such attack from the East as is feared. Either there is no such danger, and they, knowing it, should go about their business normally, or such danger is real and they are the focal points of it, in which case they and not the United States should be the first to try to fend it off. The way to make a living is to work for it—and that goes for nations, too.

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nomic trial and error became the order of the day.

The process of change which affected the status of the businessman has probably been more apparent to many of you during the past five or six years than was true during the earlier stages. What I mean to say is that the process of big government and big trade unionism started in 1933, and while it is true that the effects were felt to some extent prior to the war, particularly by big corporations, there was little talk prior to 1940 of socialism, statism, or as a matter of fact, other "isms."

Most of the discussion in business circles had to do with the aggressive tactics of trade unionism and the favored positions in which the unions found themselves due to the Wagner Act and due to the friendly attitude on the part of government personnel toward trade unionism. Let us look at some of the elements of social change.

Elements of Social Change

In order to understand the nature of the changes that have come about since 1933 and in order to define the position of the businessmen today, it is necessary to take a look at certain elements of social change as they are likely to occur over a long period of time in any country where there is transition from a predominantly agricultural economy to an industrial economy. But before going any further, let's have a look at the American economy as it is at the present time.

The economy is made up of some 10 million units or enterprises and of these, about 4½ million are business enterprises, the remaining 5½ million units being farms and agricultural enterprises. Our economy can be said to be fairly well balanced inasmuch as we have a sufficiently large agricultural economy to furnish foodstuffs for our population of 155 million people, and our industrial economy is more than capable of turning out the goods and the services required to satisfy the needs of our population, to provide necessary defense armament and equipment, and at the same time produce a margin for export shipments.

But let's consider another type of economy made up principally of agricultural units or farms and with little industrial development. The type of country in which this occurs usually has very few cities and a relatively small urban or city population. The nature of the people can be supposed to be conservative, born of the self-reliance that seems to go with the agricultural type of life. Democracy in such a situation wherein government is produced by the votes of a rural population is likely to be of entirely different character than is the case in our country, for example, where 55% or 60% of the population live in cities and where a very large part of the population is engaged in industrial processes of production and commercial enterprises.

In the early phases in the development of an industrial society, government is likely to be interested in activities such as legislation affecting coinage, national defense, the tariff, etc., without much regard for the goings-on within the industrial economy. Government during such phases is likely to be conservative having been produced by the votes of farm families and a scattering of industrial workers. If there is any considerable political interest in the economy at all, it will have to do with the agricultural economy, not the industrial economy, and with tariff legislation designed to protect so-called "infant" industry. The majority of votes will come from farm people, so it follows that there will likely be maximum attention to farm legislation. But once there is created an economy which is predominately industrial, the picture changes. The predominant class of voters is industrial workers. They become organized and things begin to happen.

Historically, our country, and certain other countries, have developed out of such agricultural economies, but industrialization has gone much further here and in England than in other countries. And with industrial development, there is likely to come the first signs of trade unionism in the form of craft unions. This type of unionism is made up of specialists, so to speak. Carpenters form a union, machinists form a union, the millwrights form a union, sheet metal workers form unions and photoengravers form unions.

Craft unionism is usually the only type of unionism to exist through a certain phase of industrial development, but once industry gets into something approaching mass production, with large numbers of workers of different crafts working under the same roof or for one company, there tends to grow a demand for another type of unionism designed to embrace all workers, regardless of whether they are craft specialists or laborers. This type of union is known as the industrial union. In the United States, the craft union movement was in process more than 100 years ago, and gained great strength in the latter part of the 19th century. There was little industrial unionism prior to 1935 or 1936 when the CIO was formed.

Now, it is probably a good idea to stop at this point and untangle some of these matters. The thing that I am trying to make clear is that in the process from an agricultural economy to an industrial economy, craft unions come first and industrial unions follow at a certain stage of industrial development. Craft union membership is made up of the aristocracy of labor, specialized personnel, who have learned their trade through appenticeship and journeyman training. The requirements of workmanship developed by the older craft unions tended to create a type of attitude on the part of workers toward their unions, an attitude that is not likely to be the same as that found among members of industrial unions. The craft union man joined a union in order to advance himself in his particular line of work, improve his skill and standing in the trade, protect going rates of wages and the standards of work. But the industrial union movement was an organized mass movement designed to serve the interests of unskilled as well as skilled labor, and depending upon the power of mass political power and coercion to achieve its ends.

The CIO

Lest I be accused of damning the labor movement generally, I want to make it clear that the development of industrial unionism, the CIO, was, in my opinion, a natural evolutionary development, and I suspect that the CIO succeeded in organizing workers because they simply took over lock, stock and barrel, the methods of some elements of business management, using favorable political influence and coercive tactics to achieve their ends.

I think we ought to understand one thing clearly. There is not much sense in trying to evaluate the relationship between business and government, between the Economy and the State, so to speak, unless one can approach the appraisal without too much emotion. And the labor problem, so-called, which is an important element in the foregoing relationship, has to be looked at very clearly and very objectively.

I have stated that the development of the industrial union, of the CIO, was a natural evolutionary development in the transition to a highly organized industrial economy. Industrial unionism was successful, in organizing the workers of industry, because it was carried out militantly, effectively and intelligently. And the CIO was aided by certain malcontents who got into the labor movement and who were well schooled in the Communist philosophy that the end justifies the means.

Another factor that had a place in this whole situation as regards negotiations between management and labor was that the pattern of negotiation was not one of bargaining but of militant demand and the negotiating people of the unions were instructed that the way to bargain is to ask for two or three times as much as you expect to get and hold your ground until such time as you achieve the ends which you would normally expect to attain. I won't go into the technical aspects of this particular method of bargaining, but they are very interesting and derive from sound logical and philosophical doctrines.

The point that I want to make here is that industrial management, business management, was utterly and completely unprepared for the evolutionary changes that happened, and big companies fell like flies before the militant and aggressive onslaught of the CIO. I can state here that it is my feeling that both the CIO and business generally would have been better off in the long run if businessmen had been schooled and better prepared for the social changes that came about during the '30s.

Out of it all, we got big unionism, and union leadership became, and has continued to be, a powerful factor in our political, social and economic situation. And the

inevitable by-product of all this was big government, the so-called Omnipotent State. This caused industrial conflict.

Industrial Conflict

An industrial economy is dominated by two types of personnel, bosses and workers, or management and labor, and since as far back, certainly, as 1700, or before the so-called industrial revolution, there have been conflicts between these two elements having to do principally with division of the product; that is, essentially, the crux of the wage problem. True, a plant does not produce a thousand pairs of shoes and then tell the workers, you take 400 pairs and management and the owners will take the other 600. No, of course not. Management produces 1,000 pairs of shoes, sells the shoes and pays the workers the value of 400 pairs, using the remainder of the income from the sale to pay for leather, supplies, plant expense, repairs, taxes, and management wages.

So, in effect, a wage dispute is a claim for a larger part of the plant output, in terms of dollars. And the only practical way to make more dollars available for distribution to labor is to cut down on the shares of management, owners and shareholders, or produce more shoes with the same number of workers—or hike the "price" so-called, of a pair of shoes. This same line of reasoning can be applied to the economy as a whole. Labor disputes grow out of disagreement about the distribution of National production. So labor organizes against management.

It's pretty difficult to talk about industrial developments and social and political changes without getting involved in economics.

A simple and fairly acceptable definition of economics would be to define it as a study of the production and marketing of goods and services. (This definition is, obviously, an overly-simplied one, but let's use it.) By goods, I refer to tangible production such as stoves, automobiles, power presses, turbines and—handkerchiefs; and in speaking of services, I have in mind banking, transportation, amusements, retailing and wholesaling and one-arm lunch rooms. The production and marketing of goods and services are necessary if the population is to survive, or to use another term, if society is to survive. And it will be immediately apparent to you that economic activity, in one form or another, is as old as society itself.

And, if economic activity is to be judged at all, it must be judged on the basis of its effectiveness in meeting the requirements of the population; it must be judged in terms of the standard of living made possible by the production and marketing elements in the economy. That's just common sense. The economies of Cuba, of Guatemala, of Finland, or Italy determine the physical volume of goods and the services which are available for distribution among the population.

An efficient economy will provide a high standard of living and vice-versa. If with a population of 150 million people, the economy produces 1,000 automobiles a year, you won't have much of a traffic problem; and automobiles will be so high priced that very, very few people can afford them. The same sort of example and reasoning can be applied to shoes, to housing, to transportation or to butter.

Viewed in this way, the American economy is something to look at with awe and wonder because it out-produces any economy in the world and produces the highest standard of living, in terms of goods and services available for distribution, of any economy put together in the world's history.

I think it's pretty apparent at this point that all of our worldly goods come out of the economy—not, surprisingly enough, from the government, but from economic activity within the economy. And this is a very, very important fact to get straight—to remember. The standard of living is determined by the volume of goods and services produced within the economy and marketed to the public.

It is customary to regard the standard of living in terms of automobiles, radios, telephones, meat, wheat produced per capita; for example, all things being equal, if you have 155 million population and 155 million units of industrial products or agricultural products available for distribution, it's quite likely that people, generally, will live better than if only 50 million units were produced, and, comparatively, an economy producing only 15 million units would have the population in a pretty bad way. But, even this doesn't give us the picture as a whole. Now I want to give you the Statist argument.

Statist Argument

Here is how the social theorist handles this particular problem. He says, "Sure, the American economy is a wonderful thing, and we have overall the highest standard of living in the world and you produce these 155 million units of good living equal to the 155 million people in the country, but so what?" He argues that in spite of this, one-third of the population is ill-fed, ill-clothed and ill-housed. In other words, he takes the position that just so long as enterprise and marketing is in private hands without State control or ownership, you're never going to get the proper distribution of the 155 million units of good living. Some will be rich, and some will be poor in terms of worldly goods and some will be in between.

But, he argues further, if the government regulated the Economy, or better still, if the government owned the steel industry, the banks, the railroads, communication industry and owned or regulated the major part of the rest of the Economy, the government would see that goods were distributed in a different manner so that there would no longer be one-third of the population ill-fed and so forth.

The basic philosophy behind this reasoning is in accordance with socialist thinking which says, "From each according to his ability, and to each according to his needs." This is fine social theory but is in contrast to the traditional view held in this country wherein a man is entitled to what he can earn and if he does not want to work, he won't eat, at least not regularly and probably not very good. Boiled down, I suppose that this means that people who've talent for management and skills for work and brawn for labor should provide for those people who are so unfortunate that they have none of these attributes or do not want to use them. The major problem involved, in looking at things this way, is that the incomes of managers and owners and of labor have to be leveled off through taxation in order to provide the government with the necessary money to purchase the units of production required to provide a satisfactory standard of living for people who otherwise would not have it. It is that simple.

Whether this is accomplished under a system of free capitalism or free enterprise or under a system where you have State ownership and State capitalism and State enterprise, the problem is essentially the same. The result inevitably must be a higher standard of living for people incapable of earning a living, paid for through a lower standard of living by people who would be entitled to it if they received the fruits of their individual efforts.

Now, I have tried to state this in such a way that it will not appear to be grotesque, silly or stupid. I doubt that there is anyone who would not like to bring about a higher standard of living in this country for everybody, but most of us believe that it can be achieved, that the so-called lower third can be brought up to a higher standard of living through higher production, greater capital investment, and lower taxes without disturbing, unduly, the incomes of the upper two-thirds of the people. Those of us who have had the privilege of studying the whole problem believe this possibility to be so practical that it is hard to understand why anyone would fail to see this point of view.

Nevertheless, here is the very core of the socialist and statist argument. They claim that you cannot provide financial security for all the people except by State regulation, ownership and control of the Economy. They assume that they can take over the Economy, industry and agricultural life, run it as it is running now and merely redistribute the product of the Economy equally.

There are several reasons why this type of thinking is in error. First of all, if the Economy is taken over by the government or by the State, personal liberty goes out the window. Second, there is considerable reason to believe that regardless of the type of social structure that you have, that even if you start from scratch (which would be practically impossible in the first place) it would not be too long before you would see the redevelopment of a form of social strata wherein some people would have access to a considerable amount of the goods and services produced (Pareto's Law) and other people would have relatively little. That's what has happened in Russia. The third reason why the deal would not work out is that government enterprise is inefficient.

Socialism

What is Socialism? Well, Socialism means basically the ownership of industry, banks, railroads and perhaps all business and private property, by "Society" through government ownership, government enterprise. In other words, you have a form of socialism in England where the government owns and operates the coal mines, the transportation system, the gas industry. You find Socialism at its extreme development in Russia where there is no private ownership of property. Essentially, the effect of Socialism prevails anywhere at any time when the decisions of business as regards prices, wages, production and marketing are under strict control of the government even without actual ownership. It will be understood from this that Socialism can be found in a variety of forms and degrees of control.

Do we have Socialism in the United States? No, definitely not, at this time, but we do have a strong tendency in that direction, in the direction of government control of business and agriculture. No one will argue that point. Do we have Socialists, so-called, in this country? Certainly, we do, probably millions of them; not actually members of a Socialist or Communist Party but people who honestly believe that things would be better if the government had more to do with the control and operation of enterprises. I don't think you will question that point. And the faculties of our schools and universities are filled with this type of Socialist. Any disagreement on that?

The Statist Trend and the Business Cycle

So, where are we going? Well, I think I know, generally. But, unfortunately, I can't tell you how fast we are moving. I have a pretty general idea of the direction of economic and social trends, and I would say that we are definitely headed for some form of Socialism, Totalitarianism, Statism or whatever you choose to call it. It's likely to be a peculiarly American form, suited to the temperament of our people, the structure of our economy and the political understanding of the so-called man-in-the-street. As to the rate of change, I suspect the business cycle will play an important part in determining the rate.

The business cycle is, to my mind, destined to play a part because a depression can bring about a real crisis. And because of the way things have developed, because we have been, by force of circumstance, led into a situation wherein big government and big unions dominate our social situation, these very forces will dictate that we can only go in the direction of more government intervention in economic affairs. Democracy, in crisis, tends to turn to some form of totalitarianism.

Nationalization of some industries and socializing of many features of our existence cannot be avoided, unless there is a miraculous change in public opinion which certainly is not indicated today.

People demand security and, in the minds of many, government is the only source of the security which they have in mind. Paradoxically, people will demand security even if, in the end, it ruins them.

It can be stated here that Communist economists and students of economic history have held the belief that, given time, we will spend ourselves into disaster. They know that the surest way to create crisis is through debasement of the currency, inflation, and national insolvency.

Social unrest and insecurity are pretty likely to result from such policies. And a depression, with our current debt, inflation and artificial price level, can easily and perhaps assuredly lead us into Socialism.

Unfortunately, men who have studied the up-and-down gyrations of business still know very little about many of the characteristics of these changes in the business cycle. It is suspected that there is no periodicity in the cycle, that is, we know that it does not recur every seven years, 10 years, or 14 years; it just happens. And no one knows exactly why it happens. The conditions which have seemed to cause a specific depression may not have been present to any influential extent in another recession or depression of business.

A change in the trend of business activities can be gradual or it can be abrupt. But it is pretty difficult to state, even with all the statistical data that we have available today, just when a turn for better or worse will happen. It has been my experience in discussing the business cycle with economists that the best qualified men are the least likely to take a definitive stand relative to the prospects of future business.

In view of the foregoing, it is hard to understand why we, as individuals, should be particularly pessimistic or optimistic at any given time about the condition of business. It is true, that hardly a day goes by that we don't express ourselves regarding business. Someone will say to us, "How is business?" And dependent upon our feelings at that particular time, we may answer, "Fair, pretty good, good, or lousy" and whatever our reply, leave out any psychological factor that may have conditioned our attitude or thinking at that particular moment when we made the reply; we are generally thinking about our own little niche or particular business. In order to answer the question with any degree of intelligence, a person would have to take into consideration a considerable amount of economic data, psychological data, supply and demand conditions and the relationship between business and the government.

Back 30 years ago, this last consideration was a relatively small factor in any curbstone opinion that a businessman might give about economic conditions. What I mean to say is that the relations between business and government resulting from the government intervening or interfering with business processes, business organization or business management occurred very, very little. Prior to 1930, there existed a climate or set of conditions in this country wherein enterprise was relatively free. We have now come to free enterprise.

Free Enterprise

Now this term, "Free Enterprise," is important, very important because while the term is used daily, in conversation, not all the people understand exactly what it means. An enterprise is a business or agricultural unit, a farm, a retail store, a bank, a large railroad system, a photo-engraving shop. And as I stated earlier, the economy is made up of thousands of different types of enterprises. And as regards the word, "free," I understand that to mean relative absence of restraint. Liberty has been defined as freedom from restraint. We might go a step further and say that liberty connotes freedom of enterprise. Liberty can be said to require that a man be permitted to buy, sell, produce, consume goods and services under conditions of minimum restrain from the government. I suppose that we might say that a person or group of persons should have the right to operate an enterprise so long as that enterprise is operated in such a manner as not to interfere with the rights of other people. If I had the time, I would like to devote a considerable discussion to this matter of enterprise and social obligations or rights.

But I think that we now are on common ground. We understand what is meant by free enterprise, and we understand also that free enterprise can disappear by degrees if the government intervenes and interferes in normal enterprise management; if it regulates pricing, production, procurement, personnel and financial matters which are purely administrative aspects of corporate existence. And we know too that since 1933, government, for one reason or another, either directly or indirectly, has come to play a very large part in the operation of any and all enterprise, industrial, commercial and agricultural. So-called regulations and directives, together with policies and practices, derive from government personnel who very often have no particular knowledge or aptitude, or shall I say sympathy, for business or business problems.

Economic Planning

Since 1933, there has emerged a powerful group within government who would subject the economy to overall planning by the State. A British economist, Joan Robinson, in an essay on "The Problem of Full Employment" states the case for planning as follows: "The private enterprise system is irrational, in the sense that it is not based on any conscious plan. Everything happens as a result of innumerable individual decisions. Society is broken up into a variety of groups with conflicting interests, and economic life is a general game of catch-as-catch-can."

"In a rational economic system," she continues, "the productive resources of society would be used deliberately to meet the needs of the people.

"On the one side we have so-and-so much labor, plant and land available for production, and such-and-such possibilities of increasing the productiveness of labor, by improving technique and expanding equipment. On the other side we have such-and-such needs for food, clothing, houseroom and all the material furnishings of life; and for entertainment,

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education and health services, for administration and defense.

"Needs are boundless and resources are limited. In a rational economy the resources would be set to work to meet the needs on some system of priorities, those judged the most necessary taking precedence over the less necessary." (From "The Problem of Full Employment," page 17, by Joan Robinson, published by the Workers' Educational Association, 38a St. George's Drive, London, S. W.)

That may sound very well, but overall planning of economic activity means overall control and the control of activities means inevitably, control of people. The basis of control must be the judgment of the officials who dictate control, judgment as to how the factors of production are to be utilized and judgment regarding the volume of goods and the type of goods and services which are to be produced. Inasmuch as the volume and the marketing of goods and services determine the standard of living, the standard would be determined by the State.

State direction and control of economic activity is the very antithesis of the American idea. Under such a set-up, freedom of choice of ownership or free capitalism is replaced by State capitalism.

Every element of production expense which is present with private capitalism must be present with State capitalism. In manufacture, for example, the prime costs, made up of direct labor and material costs, must be the same or greater in a State owned operation. The manufacturing overhead costs are likely to be the same, or greater. It appears likely, too, that costs of distribution would be at least equal and general administration costs much higher.

Actually, whatever else may be said of American production, no sane critic will argue that management is not interested in minimizing costs and maximizing profit, nor will anyone familiar with production argue that the quality of product in this country is inferior.

Profit, call it what you will, must be realized in State-owned enterprise, because the need for expansion and improved machinery must be paid for by the money which the operation earns over and above expense. True, you may refer to this as tax, but profit and tax become one and the same at the point when taxes on profit are 100%. Even in a small operation today, the Federal Government may take 62% of the profit to say nothing of the amounts paid to the lesser levels of government.

The whole question resolves itself into a question of whether the direction of business by the government is likely to be productive of a greater volume of goods than would be the case under private ownership with the interests and incentives of private ownership. The answer to this would appear obvious.

The volume of goods which is to be produced is determined by the market, in a free society. If we assume that, under existing conditions, the ABC Shoe Company produces 10,000 pairs of the shoes which consumers require, is it likely that the State can also produce shoes of the same quality for the same or less cost? To anyone who knows anything of State enterprise the answer is definitely, "No."

Public Enterprise

One of the arguments for public enterprise is that under such an arrangement the problems of industrial relations will no longer exist. Such a hope is entirely unfounded. Professor Robson of the London School of Economics is an authority on the subject of public enterprise. Talking before a group in London in May, 1950, Professor Robson stated that one must not assume that the change from private to public enterprise cleans up the problem of industrial relations.

To quote Professor Robson, "Industrial relations are a very important aspect of public administration. As industry becomes nationalized, trade disputes become more serious to the public. There is a high degree of integration under nationalization. The National Coal Board, for example, is a single employer rather than the 1,400 private employers who existed before, even though there were industry-wide labor settlements made prior to nationalization."

Organized labor has, in England, made the principal demand for nationalization. With public enterprise, labor is aware that the threat of bankruptcy, of going out of business, is gone. And when there is no longer emphasis on profit, workers are encouraged in their demands.

The law requires, in the coal situation in England, that the Coal Board must enter into agreement with the Trade Union, and make provision for arbitration of disputes. And the agreement must, further, establish machinery for the consultation with the Union on all matters of welfare and operation. In other words, the Union can intervene in all elements of the operation. The agreement is a legal document and enforceable in the courts.

There is no limit to the extent of consultation. The effect is to tie the hands of management, of course.

There is likely to be greater stability of employment under nationalization but only because no one can be discharged, promotions are slow and there is widespread overstaffing. All of this adds up to inefficiency of operation.

The efficiency of public corporations is questionable at best. Regardless of how one looks at it, efficiency requires greater output per man-hour; it requires mechanization, improved skill, and good management. And paradoxically, it is now apparent, and admitted, that nationalization requires better management than private enterprise.

Political action on the part of trade unions in the United States is likely to tend more and more toward political domination of the relationship between management and labor. At a certain point in the development, there will be demand for nationalization of industries. The so-called labor leadership in this country seeks power, more and more power. This tendency has already created a feeling of antagonism on the part of middle class Americans. Friedrich Engels, who collaborated with Karl Marx, was certain that this antagonism between the middle class and the proletariat was the essential clue to the history of the future.

Political Behavior

The whole question of political behavior is of great interest and inquiry into the matter was stimulated by the rise of Fascism. The phenomenon of Fascism was not entirely unexpected. It had been foretold. The thing that interested us in the 1930s was that the people in Italy and in Germany appeared quite content, for the most part. Many of us felt that this just could not happen; man's natural bent is toward freedom. But perhaps these people believed that Fascism and Fascist discipline would bring them security, and order. They may have been entirely willing to trade such freedom as they had for expected governmental aid and security.

Professor Pear of the London School of Economics has characterized the development of human ideas as a process of "individuation," relating to the development of the individual as distinct from the mass of people. In his religious views and his economic views, man has tended to become individual and less at the mercy of the Church and nature.

In the 19th Century, man began to acquire rights for himself, religious rights and social, economic and political rights. He came to realize his own strength. And this process led to a greater feeling of freedom. But there was also a greater feeling of aloneness, of facing the world on his own.

This led to a desire to associate with something, to seek a means whereby he could submit himself to a higher order of things, to authority, perhaps, if that were the way to achieve social and economic security. Professor Pear's view is that the greater mastery that man achieved over nature the less secure he became, and the more ready for authoritarianism.

The Middle Ages were characterized by the lack of personal freedom. The Church was all powerful; superstition of a sort was rife. "Thou shalt not" was the law of life. But the Church did give a feeling of solidarity. A man knew his place, and kept it.

The primary difference between the Middle Ages and the present lies in the degree of personal freedom.

Whether one regards the Reformation as a boon to mankind or a heresy, one thing is apparent: man and his thinking underwent great change. Whereas man's existence had been pretty much mapped out by the Church, he now was called upon, as an individual, to think for himself. The intellectual importance of the Reformation, was to place man "on his own." If doubt and insecurity developed, it was a natural development.

Let us assume that the ideological conflicts of the present day date back to the Reformation. We have to conclude that the process of "individuation" which Professor Pear refers to, has brought forth a type of individual who is less and less able to take care of himself.

If this is true, perhaps the social psychologists are right; perhaps the temporary success of Fascism and the continuance of authoritarian communism is linked up with the attractiveness of security. Perhaps those forms of statism offer to people an escape from having to care for themselves, an escape from freedom. "Let the State take care of us, of everything." "Let the State do the economic planning and provide for us."

If this is true, also, the whole question boils down to the matter of individual security and as stated earlier, the idea of "selling" free enterprise to the people may well be a dead duck.

Labor Policy and Statism

It does seem clear that the union leadership in this country has attempted through political action to dominate the State, if not capture it outright. There are too, growing indications that the middle class of the country, and many individuals in the labor movement itself, are sick and tired of labor dominance and methods.

The situation today appears not unlike that which brought about Fascism. The middle class was against the excesses of labor leadership; they felt they had no future. They saw their traditional German ideas of thrift, hard work and order being derided. Inflation was the order of the day, and the labor leaders and intellectual hangers-on were in top places.

There is reason to believe that the middle class was frustrated, that it sought a place for itself. And, perhaps, the class wanted revenge upon the labor leadership. They had no organization of their own and were sick of the way things were going.

There are indications that Nazism was essentially a middle class revolt. The unions opposed it at the outset, the corporations and the military were interested in the movement as a means to an end: control. The middle classes and especially the lower middle classes were the group which early found the Nazi idea a good idea.

Both Fascism and Communism represent a breakdown of individualism; perhaps failure of individualism is a better way to explain it. Any threat of Statism indicates a failure of this nature. Statism requires that the individual admit that he is "licked." If enough people reach this opinion, social conditions become ripe for totalitarianism.

It is for this reason that political action of the future requires understanding of the situation and the formation of policies and plans designed to rescue the individual, or to help the individual rescue himself. Those who favor planning, who would make the State omnipotent, are obviously the reactionaries of the day. They assume that individualism has failed.

And it can be stated that man will act to substitute a more satisfactory state of affairs for himself in place of a less satisfactory condition. Man will, it seems, sacrifice freedom for the promise of security, if necessary. There is little use in preaching the merits of a free society, of free enterprise, of a free economy, unless these merits include security.

The Need for Social, Political And Economic Philosophy

The battle with communism will never be won by force of arms alone. Finally, there must emerge a social, political and economic philosophy acceptable as best suited to the characteristics and form of modern society. And that philosophy will derive from the concept of human action which states that man will act to substitute a better state of affairs, for himself, in the place of prevailing uneasiness or unsatisfactory state of affairs.

Man is motivated to substitute a more satisfactory state of affairs for a less satisfactory. He may be restrained in certain countries from taking action, but he will be impelled to act in the long run in the direction of that system, that philosophical framework of ideas which seems most likely to offer for him a more satisfactory set of conditions.

Neither at home nor abroad will it suffice today to chant of the wonders of free enterprise and expect that people are going to accept the idea on that basis alone. Granted, that mankind in many sections of the world today is coerced, dominated and held through fear to support a communist regime; let us not delude ourselves for one moment that large parts of these populations have not come honestly to feel that through communism they will achieve a more satisfactory existence than would be the case under conditions of a relatively free private enterprise economy. Let us make no mistake on this point.

Man's Motivation

Man is motivated by his imagination of a set of conditions that will suit him better, and his action aims at bringing about this state of affairs. This applies to the man in Minsk, in Prague, in Birmingham, England, or Bakersfield, Vermont. This universal of human action transcends geography and politics. It is a fundamental of behavior which will cause man to throw off the shackles of authoritarianism once he comes to know that the acceptance of another system is more likely to result, for him, in a better state of affairs.

Man knows that by action and action alone, is he able to change his state of affairs and he is constantly impelled to such action by uneasiness with the existing order of things. This is manifest at different periods of history by movements toward social change. This fundamental dynamic of human action is quite possibly, politically, socially and economically, the most important factor in world affairs today.

It has been said that in war, in armed conflict, Providence will be found to be on the side with the heaviest artillery. In the ideological (system of doctrine) phase of the present world situation, and in the conflict of opinion regarding our economic system, Providence will likely be found on the side of that economic and social system which convinces people, generally, that it offers the surest way to substitute for their present dis-satisfaction, wretchedness and hopelessness, an environment of security and satisfaction—free, or otherwise.

Modern democracies—England, France and the United States—tend to muddle along through policies based upon political expediency. They institute control of this, and control of that. They nationalize industry, the banking system, or transportation. And they may try a real dose of Socialism. During all this process, of course, the government tends to intervene more and more in economic affairs.

And with each election, each change of government, the paramount issue is the question of just how far the government is to go in the direction of affairs of the Economy. Practically all questions facing the people in this country today, foreign as well as domestic, require some sort of agreement on the part of the people relative to the economic role of the Federal government.

And, I believe that there is such general agreement, I'm afraid that the mass of people have been sufficiently conditioned in their thinking to believe that government must intervene more and more on economic matters. The unions look to government and the farmers look to government, and frankly, too many of the business leaders stupidly look to government. It's a very, very sorry mess, but there you have it. Out of all of this, we would be quite blind if we failed to see the direction of things to come.

Europeans and students of politics have traditionally referred to goverment, to centralized public authority, as the State. A situation wherein the State through dictatorship, benevolent or otherwise, and through government personnel, directs most of the economic activity is known as Statism; such a term is applicable to Fascism or Socialism. Under such conditions, the government runs the show.

Freedom of enterprise, and economic freedom, are the very fundamentals of liberty. If we continue to accept economic domination by the State, if we embrace Statism, you will see the time within your own life when your standard of living will go down; when your personal liberties will be infringed upon and when your very right to worship God may be questioned.

It can't happen here, you say. The Hell it can't!

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Aug. 10	83.6	42.9	14.2	101.1
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 10	1,737,000	891,000	295,000	2,021,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	July 26	6,070,850	6,078,350	6,153,050	6,204,600
Crude runs to stills—daily average (bbls.)	July 26	†7,108,000	6,819,000	6,949,000	6,396,000
Gasoline output (bbls.)	July 26	23,413,000	23,014,000	22,772,000	21,539,000
Kerosene output (bbls.)	July 26	2,575,000	2,301,000	2,409,000	2,540,000
Distillate fuel oil output (bbls.)	July 26	10,237,000	10,128,000	10,066,000	8,174,000
Residual fuel oil output (bbls.)	July 26	8,776,000	8,779,000	8,987,000	8,858,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 26	118,285,000	117,380,000	120,902,000	130,518,000
Kerosene (bbls.) at	July 26	26,029,000	25,128,000	22,338,000	29,364,000
Distillate fuel oil (bbls.) at	July 26	81,792,000	77,361,000	64,143,000	81,662,000
Residual fuel oil (bbls.) at	July 26	51,052,000	49,596,000	44,972,000	45,887,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 26	607,271	608,957	649,172	820,476
Revenue freight received from connections (no. of cars)	July 26	542,150	621,892	576,503	673,492
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 31	$1,131,612,000	$278,166,000	$223,205,000	$267,571,000
Private construction	July 31	100,732,000	130,806,000	83,968,000	158,404,000
Public construction	July 31	1,030,880,000	147,360,000	139,237,000	109,167,000
State and municipal	July 31	73,858,000	118,133,000	96,127,000	83,085,000
Federal	July 31	957,022,000	29,227,000	43,110,000	26,082,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 26	6,700,000	*6,625,000	1,120,000	10,146,000
Pennsylvania anthracite (tons)	July 26	661,000	687,000	867,000	861,000
Beehive coke (tons)	July 26	19,600	*18,800	20,900	150,700
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	July 26	79	82	91	80
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 2	7,404,913	7,328,231	6,478,451	7,003,209
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	July 31	152	137	131	171
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 29	4.131c	4.131c	4.131c	4.131c
Pig iron (per gross ton)	July 29	$52.77	$52.77	$52.77	$52.69
Scrap steel (per gross ton)	July 29	$41.75	$40.75	$39.17	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 30	24.200c	24.200c	24.200c	24.200c
Export refinery at	July 30	34.850c	35.350c	35.975c	27.425c
Straits tin (New York) at	July 30	121.500c	121.500c	121.500c	106.000c
Lead (New York) at	July 30	16.000c	16.000c	16.000c	17.000c
Lead (St. Louis) at	July 30	15.800c	15.800c	15.800c	16.800c
Zinc (East St. Louis) at	July 30	15.000c	15.000c	15.000c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 5	97.59	98.28	98.26	98.02
Average corporate	Aug. 5	109.79	109.79	110.15	110.34
Aaa	Aug. 5	114.08	114.27	114.27	115.04
Aa	Aug. 5	112.19	112.19	112.56	113.89
A	Aug. 5	109.24	109.42	109.79	109.42
Baa	Aug. 5	103.80	103.97	104.14	103.80
Railroad Group	Aug. 5	106.92	106.92	107.27	106.92
Public Utilities Group	Aug. 5	109.42	109.42	109.60	110.34
Industrials Group	Aug. 5	113.12	113.31	113.50	114.27
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 5	2.67	2.62	2.62	2.63
Average corporate	Aug. 5	3.18	3.18	3.16	3.15
Aaa	Aug. 5	2.95	2.94	2.94	2.90
Aa	Aug. 5	3.05	3.05	3.03	2.96
A	Aug. 5	3.21	3.20	3.18	3.20
Baa	Aug. 5	3.52	3.51	3.50	3.52
Railroad Group	Aug. 5	3.34	3.34	3.32	3.34
Public Utilities Group	Aug. 5	3.20	3.20	3.19	3.15
Industrials Group	Aug. 5	3.00	2.99	2.98	2.94
MOODY'S COMMODITY INDEX	Aug. 5	441.7	442.4	435.4	467.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 26	180,999	168,607	180,413	181,072
Production (tons)	July 26	159,444	201,443	200,421	231,788
Percentage of activity	July 26	82	80	82	97
Unfilled orders (tons) at end of period	July 26	396,615	417,253	352,864	537,591
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Aug. 1	110.01	*109.99	110.57	115.60
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	July 19	24,800	23,128	22,041	26,927
Number of shares	July 19	705,032	651,861	642,683	769,249
Dollar value	July 19	$33,079,339	$30,376,295	$30,043,027	$34,542,153
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 19	21,304	20,065	20,045	22,682
Customers' short sales	July 19	73	61	85	604
Customers' other sales	July 19	21,231	20,004	19,960	22,078
Number of shares—Total sales	July 19	592,385	549,530	556,715	625,726
Customers' short sales	July 19	2,644	2,058	3,259	22,166
Customers' other sales	July 19	589,741	547,472	553,456	603,560
Dollar value	July 19	$25,423,602	$23,265,275	$23,403,151	$26,161,921
Round-lot sales by dealers—					
Number of shares—Total sales	July 19	171,140	160,850	157,230	174,960
Short sales	July 19	------	------	------	------
Other sales	July 19	171,140	160,850	157,230	174,960
Round-lot purchases by dealers—					
Number of shares	July 19	274,960	251,670	238,530	318,500
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	July 12	201,060	185,250	198,080	339,520
Other sales	July 12	5,333,890	5,665,070	6,714,090	5,556,730
Total sales	July 12	5,534,950	5,850,320	6,912,170	5,896,250
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	July 12	550,760	544,510	615,180	635,470
Short sales	July 12	117,480	103,170	109,120	139,820
Other sales	July 12	484,680	457,890	506,460	415,460
Total sales	July 12	602,160	561,060	615,580	555,280
Other transactions initiated on the floor—					
Total purchases	July 12	103,830	127,800	126,100	115,300
Short sales	July 12	10,200	4,900	3,400	19,700
Other sales	July 12	179,950	177,160	195,750	120,300
Total sales	July 12	190,150	182,060	199,150	140,000
Other transactions initiated off the floor—					
Total purchases	July 12	195,110	220,860	260,698	235,692
Short sales	July 12	38,600	42,180	32,060	77,270
Other sales	July 12	235,773	273,983	366,866	250,336
Total sales	July 12	274,373	316,163	398,926	327,606
Total round-lot transactions for account of members—					
Total purchases	July 12	844,700	893,170	1,001,978	986,462
Short sales	July 12	166,280	150,250	144,580	236,790
Other sales	July 12	900,403	909,033	1,069,076	786,096
Total sales	July 12	1,066,683	1,059,283	1,213,656	1,022,886
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49 = 100):					
Commodity Group—					
All commodities	July 29	111.5	111.2	110.7	------
Farm products	July 29	109.6	109.6	107.7	------
Processed foods	July 29	109.7	109.2	108.0	------
Meats	July 29	115.3	113.8	110.1	------
All commodities other than farm and foods	July 29	112.4	112.0	111.9	------

*Revised. †Includes 617,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
AMERICAN PETROLEUM INSTITUTE—Month of March:			
Gas consumption—Grand total, U.S. (gallons)	3,913,366,000	3,462,591,000	3,512,294,000
Daily average, U.S. (gallons)	130,446,000	111,696,000	116,343,000
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK — As of June 30:			
Imports	$194,904,000	$196,747,000	$267,331,000
Exports	125,878,000	136,303,000	104,189,000
Domestic shipments	7,121,000	6,500,000	13,127,000
Domestic warehouse credits	7,406,000	10,482,000	9,366,000
Dollar exchange	44,714,000	36,574,000	242,000
Based on goods stored and shipped between foreign countries	35,930,000	43,104,000	30,970,000
Total	$415,953,000	$429,710,000	$225,225,000
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. — U. S. DEPT. OF LABOR — Month of April (000's omitted):			
All building construction	$829,974	$778,897	$802,326
New residential	537,531	489,398	465,821
New nonresidential	199,917	198,888	245,741
Additions, alterations, etc.	92,526	90,611	90,764
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPARTMENT OF COMMERCE — Month of June (000's omitted)	$1,176,000	$234,000	$1,134,000
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of June 30 (000's omitted)	$495,000	$510,000	$331,000
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — Estimated short-term credit in millions as of May 31:			
Total consumer credit	$20,258	$19,784	$19,207
Instalment credit	13,767	13,320	12,920
Sale credit	7,393	7,109	7,248
Automobile	4,147	3,954	3,980
Other	3,246	3,155	3,268
Loan credit	6,374	6,211	5,672
Noninstalment credit	6,491	6,464	6,287
Charge accounts	3,925	3,913	3,793
Single payment loans	1,441	1,438	1,398
Service credit	1,125	1,113	1,096
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES—1935-39 = 100 — Adjusted as of May 15:			
All items	189.0	188.7	185.4
All foods	230.8	230.0	227.4
Cereals and bakery products	193.8	191.1	188.2
Meats	271.7	268.1	272.4
Dairy products	210.6	212.6	203.5
Eggs	164.0	165.9	198.4
Fruits and vegetables	253.8	247.2	221.6
Beverages	346.6	347.3	345.3
Fats and Oils	139.3	143.1	176.7
Sugar and sweets	187.3	186.2	185.4
Clothing	202.3	202.7	204.0
Rent	141.3	140.8	135.4
Fuel, electricity and refrigerators	144.6	145.3	143.6
Gas and electricity	98.2	98.0	97.3
Other fuels	203.1	206.1	202.4
Ice	156.5	156.5	156.0
House furnishings	205.4	206.2	212.6
Miscellaneous	171.4	171.1	165.0
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-1949 AVERAGE = 100 — Month of June:			
Sales (average monthly), unadjusted	93	96	107
Sales (average daily), unadjusted	95	95	105
Sales (average daily), seasonally adjusted	98	96	108
Stocks, unadjusted	105	115	122
Stocks, seasonally adjusted	113	112	131
GAS APPLIANCE MANUFACTURERS' ASSOCIATION—Month of May:			
Automatic gas water heater shipments (units)	153,100	159,300	131,500
Domestic gas range shipments (units)	178,900	161,100	128,500
Gas-fired central heating equipment shipments (units)	61,900	54,600	42,300
Gas-fired furnaces (units)	37,000	32,000	28,200
Gas-fired boilers (units)	5,100	3,700	3,300
Gas-conversion burners (units)	19,800	18,900	10,800
HOUSEHOLD WASHERS AND IRONERS — STANDARD SIZE — (AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION)—Month of June:			
Factory sales of washers (units)	274,457	213,668	253,119
Factory sales of ironers (units)	17,654	12,652	24,500
Factory sales of dryers (units)	31,720	28,812	39,908
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS' ASSN.) — Month of June:			
Total number of vehicles	518,710	*503,917	617,685
Number of passenger cars	408,250	397,836	482,029
Number of motor trucks	109,976	*105,658	134,818
Number of motor coaches	484	423	838
NEW YORK STOCK EXCHANGE—As of June 30 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers net debt balances	$1,322,264	$1,311,845	$1,276,527
Credit extended to customers	32,051	33,191	37,926
Cash on hand and in banks in U. S.	362,979	*338,346	364,806
Total of customers' free credit balances	713,874	*725,691	838,029
Market value of listed shares	114,488,919	110,687,572	97,920,279
Market value of listed bonds	95,964,179	97,311,429	97,817,684
Member borrowings on U. S. Govt. issues	210,346	81,743	56,187
Member borrowings on other collateral	951,841	885,795	691,228
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of April:			
Net railway operating income	$72,337,896	$76,638,822	$72,689,500
Other income	16,719,771	16,899,372	16,981,617
Total income	89,057,667	93,538,194	89,671,117
Miscellaneous deductions from income	4,151,064	4,041,112	4,413,152
Income available for fixed charges	84,906,603	89,497,082	85,257,965
Income after fixed charges	48,270,511	53,133,419	49,955,475
Other deductions	2,929,557	2,894,617	3,085,679
Net income	45,340,954	50,238,802	46,869,796
Depreciation (way & structure & equip.)	39,820,844	39,675,956	38,469,824
Amortization of defense projects	------	------	------
Federal income taxes	38,499,561	55,343,676	40,097,763
Dividend appropriations:			
On common stock	13,409,440	18,745,474	7,857,422
On preferred stock	2,926,979	3,720,306	1,991,118
Ratio of income to fixed charges	2.32	2.46	2.42

Continued from page 3

Outlook for Movie Industry

delight. You in IATSE don't need their helpfulness. Some of your members have lost jobs in projection booths. And nobody can discount the grim reality of that to the individuals concerned.

Granted that some theatres have closed. Many of them were old theatres, outmoded and outdated; uncomfortable, and behind the times.

But theatres have been built too. Many have been modern, attractive, conventional-type theatres. Some hard-headed investors must think there's a future in the motion picture theatre.

In recent years we have seen huge population shifts in this country. People have moved from region to region—and our cities are steadily sprawling outward to the suburbs. In hundreds of cities merchants in downtown areas are moving out to follow the crowds—out where people live. That's good business judgment. Motion picture theatres have done it too.

When a millinery store folds up its outlet on the downtown drag and heads for the suburb, it may be a brief item on the business news page—but let a downtown theatre close up—and oh, brother, call the undertaker quick!

Sometimes I think the moaners—especially outside the industry—have been wearing blinders for the last seven years. They have overlooked—and I would hate to say deliberately—one of the most dynamic and encouraging developments in exhibition in our times.

Growth of Drive-in Theatres

I am talking about drive-in theatres—a husky evidence of the supple resistance power of the motion picture industry.

Look at a few quick figures.

In 1946, we had 155 drive-ins in the whole United States. Today—seven years later—there are more than 4,000. That's a whale of a jump. The movies have followed the people. The story of Mahomet and the mountain can't improve on that simple honest fact.

It's estimated today that drive-ins account for approximately 20% of gross theatre receipts. Drive-ins have an average car capacity of 400 each. There's an estimated 2½ persons per car.

Right here, we start to get into some mighty big figures. The total car capacity of drive-ins is 1,600,000 cars. Multiply that by the number of persons per car, and what do you get?

Why, you get the equivalent of 4,000,000 conventional theatre seats. This 4,000,000 figure represents more than a third of the total number of seats in conventional theatres today. And it represents far more than the total of seats lost through the close-down of theatres. So what do we have?

We have a gain—not a loss. It's a plus—not a minus.

We don't need a chart or slide rule to tell us that many drive-in patrons are actually new audiences for motion picture entertainment. Drive-ins attract people with young children, for instance—people who otherwise might not be movie-goers. I think we all know that the bassinet has always been a hazard to the boxoffice—but wherever the drive-ins are showing, it's not any more.

I believe it is a perfectly correct conclusion that drive-ins bring in new customers and do not just subtract from audiences at conventional theatres. This stimulates the movie-going appetite.

Next time you hear people talking in dark pessimism about theatre shutdowns, I suggest you come back at them with these facts about drive-ins and their new patrons.

And come back at them with the facts about the new, modern, comfortable conventional theatres built for the greater convenience of their audiences.

Isn't this live and pulsing proof that not everybody is sitting around in a darkened living room from 6 o'clock to midnight?

The Motion Picture and the National Economy

Now let's turn to another side. Let's compare the status of the motion picture with the status of the whole economy. Here we find something of a paradox.

Our country was never more bustling and prosperous than it is today. More of us have jobs at better wages than ever before. Our people are living better in every way—eating better, living in better homes, wearing better clothing. We have more money to spend than we ever had.

Between 1946 and 1951, all consumer expenditures in the United States increased by more than 40%—or by approximately $60 billion. But our share of total consumer expenditures fell from 1.09 to 0.66%. Our job is to reverse this trend.

There are many reasons why the movie-going habit has weakened.

Television is certainly one reason, but it is not the only reason.

Love is a reason too. We have had a record number of marriages—and a record number of babies. Many young married couples with children find it just too costly to hire baby sitters.

There are others but I would like to emphasize two of the top reasons.

One is rising costs. The other is taxes—especially admission taxes.

Costs have soared in a fabulous sort of way throughout the whole American economy. In our business we have to pay more for everything. And this means that today we must do everything we can to prune costs and keep them down.

Higher Admission Taxes

On top of higher costs, we've had to carry a back-busting load of taxes—not only back-busting but discriminatory and out of all semblance to equity.

Here are just a few figures to illustrate the load of taxation. In 1951, admission tax collections totaled nearly $250 million.

Do you know what that figure represents? Well, it is approximately five times the net profits of all theatres in the Unted States for 1951.

Besides admission taxes, the theatres also pay substantial sums in local taxes, and in income taxes—if there is anything left over to pay them on.

Totting it all up, the tax bill of theatres is seven times the amount of their net profits. That exceeds, for instance, the theatres' total annual payroll of approximately $300 million.

Do you wonder that we're going over some bad bumps in the road? Isn't it easy to see why some theatres have closed and others are operating at a loss?

How long can this go on without serious and unnecessary damage to all of us? I hope it won't belabor us any longer than the next session of the new Congress.

I urge all of you—everyone in the industry—to get energetically and wholeheartedly behind the expertly-managed campaign of COMPO to repeal the 20% Federal admission tax—and state and local admission taxes.

Every community in America with a motion picture theatre has a stake in our well-being—and is hit when we're hit.

The local theatre stimulates local business of every kind. For years, it has been a magnet to draw in the farmers in the small communities; and in the larger centers, it encourages shops of all kinds and variety to locate nearby.

It's no longer simply a question of injustice and unfairness. It's a matter of living or dying for many in our industry. That's a simple honest fact.

Need of More Economy in Operations

At the outset I told you that I did not intend to be a crepe hanger. I said that I did not intend to spin Pollyanna tales.

And I did not come here to suggest pay cuts or longer hours.

But I did come to ask one thing. It is this:

I urge all in the industry to work twice as well and to think 10 times before wasting 10 cents of anything. It behooves us all to sparkplug our efficiency and eliminate waste wherever we can.

We've got to do that in every branch of the business—in production, in distribution, in exhibition. That's essential.

The evolution in which we find ourselves may be the greatest test and trial that our business has ever known. It is not the first, by any means, but it has all the earmarks of the toughest.

Many of you here went through the revolution from silent films to sound films. You will remember the alarmist and defeatist attitude that prevailed at the time. Just as now, there were those who said the industry couldn't survive the tremendous losses that the change entailed. Timid men of little imagination and less faith were ready to give up.

But the industry emerged from the ordeal in better shape than it went in. It went on to far more prosperous days.

When radio developed once again the crepe hangers were busy practicing our funeral dirges. But radio didn't hurt the motion picture. It helped it.

During the depression '30s, in common with all business, we suffered. But we survived and came out stronger than before. The craven men were wrong again.

Now, in this new period of tension and uncertainty, I am convinced we will re-emerge as we have before. This industry has had adversity calling at its back door several times through its history. Each time, it has shaken hands with adversity, put its house in order and then booted adversity right out of the yard.

To be sure, the downbeat today may appear loud and fearful in some quarters.

Some theatres have closed. That's a downbeat.

But drive-ins have opened. That's an upbeat.

New conventional theatres have been built, especially in areas where the population has shifted. That's an upbeat.

The boom in marriages and babies may be keeping a husky share of people away from theatres. That's a downbeat. But the boom in population means a vast new market for the future. That's an upbeat.

America is still hungry for entertainment. That's just a fact. But a vast new audience around the world is developing a hunger for entertainment it could never indulge before. That's an upbeat.

We are producing the finest pictures in our history. That's an upbeat.

One thing that will never desert this industry is the skill, the ingenuity and the resourcefulness of its people.

We have adapted and adjusted ourselves to technological developments in the past and used them for the improvement of this greatest of entertainment mediums.

Is there any reason to suppose that we shall be less skillful and resourceful in utilizing new techniques today and tomorrow for the advancement and enrichment of the screen? Of course not!

Take another brief look at some figures. During the twenties, prior to talking pictures, our industry's average share of consumer expenditures was about two-thirds of 1%. In the thirties, following sound, our share increased by 50%.

While other factors contributed, the most important reason for this great increase was the technological improvement of the screen.

Today, the boxoffice share of total consumer expenditures is at about the same level as prevailed before the advent of sound.

By utilizing the vast technological developments of this new electronics age, we can make history repeat itself in our industry and vastly increase our share of what the public spends on entertainment. I am sure of that.

In my remarks I have discussed some of the difficulties confronting us but I want also to make clear that it is not our industry alone that is having its troubles. Motion picture industries in every other country are having their troubles, too.

gether, work together, great days

But there is a vast difference between us. Every other major motion picture industry in the world lives on government subsidies.

Our industry is not subsidized by government, and I hope we shall never ask for government subsidies.

We have always stood on our own feet and we always should.

I have no crystal ball that predicts the future. Where our industry will come out at the end of this evolutionary period, I cannot tell you precisely. I know of none who can.

But of one thing I am sure.

Though this is a trying time, and trying times are yet ahead of us, the great days of this industry are in the future and not in the past.

There is no occasion today for unreasoning alarm and fear.

Challenge has always been a tonic to this industry. It has always put us on our mettle.

Challenge seems to strike fire in this industry. Sometimes we may be scorched by the fire, but we use it as a forge to make tomorrow brighter.

If we pull together, act together, work together great days are in store for the motion picture.

As a child of America, our industry shall grow as America grows and expands and prospers. The rewards will be bountiful—greater than any we have ever known.

Continued from page 5

Observations . . .

The Russian's incessant necessity for "lining up" from morn to midnite for purchases of everything from milk to diamonds, with the cumulative exertion of pressure on the individual's time and energy, is undoubtedly one of the chief long-term promoters of discontent with the regime.

Despite the over-all chattiness of Mrs. Kirk's composite correspondence, she meticulously sets down a miscellany of factual detail. Such items include significant information about food, women's clothing, general consumers' goods, housing, incessant surveillance, workers' ineptitude, servant troubles, and quality of medical help.

Food for Russian citizens, although improved over prewar, is far below Western standards as to quality and quantity; and for anything outside the necessities, is quite costly. As Mrs. Kirk implies, "visiting firemen" should not be misled by the Russians' proclivity for putting-on the caviar-vodka "dog" for them. This again has just been done for our Olympic Games athletes, with us barely able to reciprocate with a cafeteria-lunch invitation for their sumptuous party.

The women's clothes are characterized by material that is bulky and shabby, costliness, and a paucity of feminine gadgets as girdles.

There are likewise great cooperative deficiencies in durable consumers goods, including such miscellaneous items as lawn mowers, deep freezes, baby carriages, bicycles, fans, and window screens.

The housing shortage, despite exhibitionistic displays as the Moscow skyscraper, continues pretty much unabated. Mrs. Kirk reports great hordes of people living in small quarters, with housing doled out by the foot. In fact, it is said that the available living quarters per citizen is even less than in 1913.

The author's good style is particularly appropriate for picturing the workers' general ineptitude in tasks ranging from skyscraper repairing to prevent its collapse, to fixing of house-plumbing.

The medical service is highly irregular, to say the least. Our authoress found some doctors quite good, with others described as butchers.

Incessant Surveillance

In her exposition of surveillance is Mrs. Kirk particularly effective. The incessant watchdogging is, of course, particularly severe on the diplomatic corps, with even MVD police doubling as some of the embassy servants. And the prohibitions on movement and social contacts of the Western diplomatic representatives are authoritatively cited, with its political significance, we hope, realized fully here. During the Kirks' stay, travel was restricted to certain streets in the city, with an overall prohibition against going more than 35 miles outside the city. I understand that this has been somewhat relaxed since my visit there in April.

Contact with the outside Western world spells catastrophe for the Soviet citizen, with all East-West relationship being highly suspect; this even extending to the Ambassador's 20 Russian servants required to take care of Spasso House's 10 bedrooms.

It is the vivid spelling-out of such items that makes it crystal clear not only that the quality of our representation there is not all-important, and also why the Western diplomat's turn in Moscow is, with its dismal sameness, a stay of endurance against monotony.

Pervading all Mrs. Kirk's observations is devastating frankness and wit, with no punches pulled. No wonder that in Moscow six months after her departure I found far and wide, among the lowly service bureau girls as well as higher-up bureaucrats, a fury of resentment against the reported "unethical, rude and turncoat" Ambassador's wife who had accepted their hospitality. Perhaps Mrs. Kirk's effectiveness, as a needle, as well as anything guarantees her importance!

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Admiral Corp., Chicago, Ill.
June 2 filed 41,669 shares of capital stock (par $1) being offered in exchange for common stock of Canadian Admiral Corp., Ltd., at rate of one share of Admiral stock for each two shares of Canadian Admiral stock held. This exchange offer will expire on Aug. 30. **Dealer-Manager**—Dempsey & Co., Chicago, Ill. Statement effective June 19.

Ameranium Mines, Ltd., Toronto, Canada
May 28 filed 2,079,871 shares of capital stock (par $1), of which 908,845 shares are to be offered to public by company, 108,847 shares by underwriter and 666,171 shares to be reoffered under rescission offer. **Price**—70 cents per share. **Proceeds**—For prospecting, drilling expenses, etc. **Underwriter**—I. Nelson Dennis & Co., Toronto, Canada.

Ampal-American Palestine Trading Corp., N. Y.
June 16 filed $5,000,000 of 15-year 4% sinking fund debentures due 1967 and $497,000 of 15-year 4% sinking fund debentures due 1966. **Price**—At par (in denominations of $100 each). **Proceeds**—To purchase equipment and machinery. **Business**—Development of agriculture and commerce in Israel. **Underwriter**—None.

Andowan Mines, Ltd., Port Arthur, Ont., Canada
May 8 filed 500,000 shares of common stock (par $1). **Price**—38 cents per share. **Proceeds**—For exploratory drilling and improvement on present holdings. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

★ **Arkansas Power & Light Co. (9/9)**
Aug. 5 filed $15,000,000 first mortgage bonds due 1982. **Proceeds** — For new construction and other corporate purposes. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp. and Central Republic Co. (Inc.) (jointly); Lehman Brothers and Stone & Webster Securities Corp. (jointly); Union Securities Corp.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Tentatively scheduled to be received on Sept. 9.

Armstrong Rubber Co., West Haven, Conn.
July 25 (letter of notification) 500 shares of class A common stock (no par). **Price**—At market (estimated at $21 per share). **Proceeds**—To James A. Walsh, Sr., Chairman of the Board, who is the selling stockholder. **Underwriter**—None, but Gruntal & Co., New York, will act as agent.

★ **Atlantic Aircraft Corp. (Del.), N. Y. City**
July 11 (letter of notification) 300,000 shares of common stock (par 10 cents) under name of "Marine Aircraft Corp." Prospectus under new name filed July 28. **Price**—$1 per share. **Proceeds**—For working capital in the manufacture of the "Trimmer Amphibian," which is largely an assembly process. **Office**—82 Beaver St., New York. **Underwriter** — Securities National Corp., Newark, N. J.

Atlantic Refining Co.
June 25 filed 1,000,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures. **Underwriter**—Smith. Barney & Co., New York. **Offering**—Postponed indefinitely; statement withdrawn.

★ **Bankers Reserve Life Insurance Co., Birmingham, Ala.**
July 28 (letter of notification) 20,000 shares of common stock (par $5) to be sold to selected residents of Alabama. **Price**—$10 per share. **Proceeds**—For capital and surplus to operate life insurance company. **Office**—1729½ North 3rd Ave., Birmingham 3, Ala. **Underwriter**—None.

★ **Beaunit Mills, Inc., New York (8/21)**
Aug. 1 filed $6,000,000 of 5% convertible subordinate debentures, due 1972. **Price**—To be spplied by amendment. **Proceeds**—For capital expenditures and other corporate purposes. **Underwriters**—White, Weld & Co., and Kidder, Peabody & Co., both of New York.

★ **Canadian Palmer Stendel Oil Corp. (8/20)**
July 31 filed 3,410,000 shares of common stock (par 25 cents) of which 2,000,000 shares are to be offered for subscription by stockholders of Palmer Stendel Oil Corp.; 400,000 shares to be sold to latter named company; 400,000 shares to New Superior Oils of Canada, Ltd.; 370,000 shares to officers and employees; and 240,000 shares to be under option to underwriters. **Price**—At par. **Proceeds**—To be added to general funds. **Underwriter**—Burnham & Co., New York.

Canoga Oil Co., Carson City. Nev.
July 18 (letter of notification) 60,000 shares of capital stock to be offered by Crystal Oil Co. **Price**—At par ($1 per share). **Proceeds**—To develop oil properties. **Office**—511 Carson St., Carson City, Nev. **Underwriter**—Kalmanir, Kline & Co., Las Vegas, Nev.

Cardiff Fluorite Mines, Ltd., Toronto, Canada
May 22 filed (amendment) 300,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For development expenses and general corporate purposes. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

● **Chase Chemical Co. (8/11)**
June 23 (letter of notification) 291,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—Newark, N. J. **Underwriters**—Aigeltinger & Co. and Vickers Brothers, both of New York.

NEW ISSUE CALENDAR

August 11, 1952
Chase Chemical Co. — Common
(Aigeltinger & Co. and Vickers Brothers)
Huyck (F. C.) & Sons — Pfd. & Common
(Kidder, Peabody & Co.)
Motorola, Inc. — Common
(Hickey & Co.)
Mountain States Power Co. — Common
(Bids 10:30 a.m. CDT)
Parsonnet TV-Film Studios, Inc. — Debs. & Com.
(Trinity Securities Corp.)

August 12, 1952
Delta Air Lines, Inc. — Common
(Courts & Co.)

August 13, 1952
Seaboard Air Line RR. — Debentures
(Bids noon EDT)
Texas Gas Transmission Corp. — Common
(Dillon, Read & Co. Inc.)
Warren-Bradshaw Exploration Co. — Common
(Paul H. Davis & Co.; Paine, Webber, Jackson & Curtis and F. S. Moseley & Co.)

August 14, 1952
Chicago, Milwaukee, St. Paul & Pacific RR. — Equip. Trust Ctfs.
(Bids noon CDT)
Lunn Laminates, Inc. — Common
(S. D. Fuller & Co. and Vermilyea Brothers)

August 18, 1952
Pillsbury Mills, Inc. — Common
(Goldman, Sachs & Co., and Piper, Jaffray & Hopwood)

August 19, 1952
Texas City Chemicals, Inc. — Debs. & Common
(Glore, Forgan & Co.)

August 20, 1952
Canadian Palmer Stendel Oil Corp. — Common
(Burnham & Co.)

August 21, 1952
Beaunit Mills, Inc. — Debentures
(White, Weld & Co. and Kidder, Peabody & Co.)
Texas Eastern Transmission Corp. — Preferred
(Dillon, Read & Co.)

August 26, 1952
Pacific Finance Corp. — Common
(Blyth & Co., Inc., and Hornblower & Weeks)

September 8, 1952
Scott Paper Co. — Debentures
(Drexel & Co.; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.)
Tennessee Gas Transmission Co. — Debentures
(Bids to be received)

September 9, 1952
Arkansas Power & Light Co. — Bonds
(Bids to be invited)

September 10, 1952
Utah Power & Light Co. — Common
(Bids noon EST)

September 23, 1952
Appalachian Electric Power Co. — Bonds & Notes
(Bids 11 a.m. EDT)

September 30, 1952
Washington Water Power Co. — Bonds
(Bids to be received)

October 1, 1952
California Electric Power Co. — Bonds & Com.
(Bids to be received)

October 15, 1952
Utah Power & Light Co. — Bonds
(Bids noon EST)

October 20, 1952
Carolina Power & Light Co. — Bonds
(Bids to be received)

December 15, 1952
New Orleans Public Service Inc. — Bonds
(Bids to be received)

● **Cincinnati Enquirer, Inc., Cincinnati, Ohio**
July 25 filed $3,500,000 of 15-year sinking fund debentures due Aug. 1, 1967 and $2,500,000 of 10-year convertible junior debentures due Aug. 1, 1962. **Price**—To be supplied by amendment. **Proceeds**—To pay notes issued to the Portsmouth Steel Corp. **Underwriter** — Halsey, Stuart & Co. Inc., Chicago & New York. **Offering**—Not expected until some time in September.

● **Cincinnati Enquirer, Inc., Cincinnati, Ohio**
July 25 filed 400,000 shares of common stock to be offered to employees and others. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Underwriter**—None.

● **Cinecolor Corp., Burbank, Calfi.**
May 9 filed $452,350 of five-year 5% subordinated sinking fund debentures due May 1, 1957 (with common stock purchase warrants attached) being offered for subscription by common stockholders of record July 21 at rate of $1 of debentures for each two common shares held; rights to expire on Aug. 12. **Price**—At par. **Proceeds**—To purchase voting control of Cinecolor (Great Britain), Ltd. and for working capital. **Business**—Two-color film process. **Underwriter**—None, but unsubscribed shares will be purchased by Donner Corp. of Philadelphia. **Warrants**—Will entitle holders to purchase 452,350 shares of common stock at war ($1 per share). They are exercisable to May 1, 1955.

Colorado Fuel & Iron Corp.
June 11 filed 39,475 shares of common stock (no par). **Price**—At market. **Proceeds**—To Mt. Oliver & Staunton Coal Co., the selling stockholder. **Underwriter** — None, shares to be sold from time to time on the New York Stock Exchange.

Continental Oil Co., Houston, Tex.
May 14 filed $26,000,000 of interests in The Thrift Plan for employees of this company, together with 400,000 shares of capital stock (par $5) purchasable under terms of the plan. **Underwriter**—None.

Convertawnings, Inc., Amityville, N. Y.
July 9 (letter of notification) 10,000 shares of common stock (par $1) to be offered for subscription by common stockholders of record March 31, 1952, at rate of two new shares for each share held; rights to expire Aug. 15. **Price**—To stockholders, $8 per share; to public, $10 per share. **Proceeds**—For working capital. **Office**—Zahn's Airport, Amityville, N. Y. **Underwriter**—None.

★ **Crystal Oil & Gas Co., Inc., Las Vegas, Nev.**
July 28 (letter of notification) 100,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—To drill well in Clark County, Nevada. **Underwriter**—None.

Decca Records, Inc.
July 2 filed 258,883 shares of capital stock (par 50 cents) being offered for subscription by stockholders of record July 22 at rate of one new share for each three shares held; rights to expire on Aug. 8. **Price**—$7.62½ per share. **Proceeds**—For general corporate fund. **Underwriters**—Reynolds & Co. and Laurence M. Marks & Co., both of New York.

Deerpark Packing Co., Port Jervis, N. Y.
March 21 (letter of notification) 235,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To repay RFC loan of $41,050 and for working capital.

● **Delta Air Lines, Inc., Atlanta, Ga. (8/12)**
July 14 filed 100,000 shares of common stock (par $3). **Price**—To be supplied by amendment (may be about $25 per share). **Proceeds** — For acquisition of aircraft and facilities and for other corporate purposes. **Underwriter**—Courts & Co., Atlanta, Ga.

Devil Peak Uranium, Ltd. (Nev.)
April 7 (letter of notification) 600,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds** — For rehabilitation and development program. **Office** — Suite 839, 60 East 42nd St., New York 17, N. Y. **Underwriter**—Gardner & Co., New York.

★ **Duplan Corp.**
Aug. 1 (letter of notification) 4,000 shares of common stock (no par). **Price**—At market (estimated at $11.50 per share). **Proceeds** — To Ernest C. Geier, the selling stockholder. **Underwriter**—None, but Dominick & Dominick, New York, will act as broker.

● **Duquesne Natural Gas Co.**
May 28 (letter of notification) 92,783 shares of common stock (par one cent) being offered for subscription by stockholders of record Aug. 1 at rate of one new common share for each five common shares held, two new common shares for each preferred share held and six new shares of common stock for each share of preference stock held (with an oversubscription privilege). Rights will expire on Sept. 15. **Price** — $1 per share. **Proceeds**—For working capital. **Underwriters**—None.

★ **Eastern Industries, Inc., New Haven, Conn.**
July 29 (letter of notification) 1,988 shares of common stock (par 50 cents). **Price** — At the market (approximately $7 per share). **Proceeds**—To Charles D. Pulis, a director. **Office**—296 Elm St., New Haven, Conn. **Underwriter**—Pulis, Dowling & Co., New York, N. Y.

Electronic Computer Corp., Brooklyn, N. Y.
July 25 (letter of notification) 52,500 shares of class B common stock (par $1) of which 15,000 shares are to be offered first to persons who sought to purchase stock under the offering which commenced in February, 1951, but whose purchases could not be consummated. The other 37,500 shares to be offered to stockholders of record Aug. 10 at rate of one new share for each four shares of class A and/or class B stock held; rights to expire on

Continued on page 26

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Sept. 10. **Price**—$3 per share. **Proceeds**—For working capital. **Office**—265 Butler Street, Brooklyn, N. Y. **Underwriter**—Pioneer Enterprises, Inc., Bluefield, W. Va.

★ Electronic Devices, Inc., Brooklyn, N. Y.
Aug. 1 (letter of notification) 2,000,000 shares of common stock (par one cent) to be offered first to stockholders; **rights** to expire on Aug. 20. **Price** — 5 cents per share. **Proceeds** — For working capital. **Office** — 429 12th St., Brooklyn, N. Y. **Underwriter**—None. If an underwriter is used, the name will be furnished by amendment (may be Tellier & Co., New York).

Farm & Home Loan & Discount Co., Phoenix, Ariz.
July 7 filed 1,613,168 shares of class A common stock (par 25 cents) and 2,744,034 shares of class B common stock (par 35 cents), the class A stock to be sold only to policyholders of The Farm & Home Insurance Co. **Price**—At par. **Proceeds**—To increase capital. **Underwriters**—John J. Rhodes and James E. McNelis, officers and directors of the two companies.

Flathead Petroleum Co., Monroe, Wash.
March 21 filed 600,000 shares of common stock (par 10 cents). **Price** — 50 cents per share. **Proceeds** — For equipment and drilling purposes. **Underwriter**—None.

● General Fuse Co., South River, N. J.
July 22 (letter of notification) 960,000 shares of common stock (par 10 cents) to be offered for subscription by stockholders of record Aug. 8 at rate of one new share for each common share held and at the rate of 10 shares for each share of preferred stock held; rights to expire on Aug. 13. **Price**—25 cents per share. **Proceeds**—For expansion of Puerto Rican factory operation and for working capital and general corporate purposes. **Underwriter**—None.

★ Grosse Point Yacht Club, Grosse Point, Mich.
July 29 (letter of notification) $250,000 of 4% 10-year high water disaster income debenture bonds to be offered to club members in units of $100 each. **Price**—At par. **Proceeds**—For repairs and improvements. **Office**—Lakeshore Road, Grosse Point 30, Mich. **Underwriter**—None.

★ Gyrodyne Co. of America, Inc. (N. Y.)
July 31 (letter of notification) 34,300 shares of 6% cumulative convertible preferred stock (par $5) and 892 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. The class A shares will be used to pay certain employees of the company for services rendered. **Underwriter**—Jackson & Co., Boston, Mass.

Helio Aircraft Corp., Norwood, Mass.
July 21 (letter of notification) 3,000 shares of non-cumulative preferred stock (par $1) and 3,000 shares of common stock (par $1) to be offered in units consisting of one share of preferred and one share of common stock. **Price**—$25 per unit to subscribing stockholders and $27.50 per unit to public. **Proceeds**—To continue development of "Courier" model aircraft and to design and develop "Helioplane" type of aircraft. **Office** — Boston Metropolitan Airport, Norwood, Mass. **Underwriters**—Chace, Whiteside, West & Winslow, and H. C. Wainwright & Co., both of Boston, Mass.

Hixon Placers, Inc., Seattle, Wash.
June 9 filed 787,736 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mining development, etc. **Underwriter**—None, sales to be made through agents, including officers and directors, who will receive a commission of 10 cents per share sold.

Hutzler Brothers Co., Baltimore, Md.
July 3 (letter of notification) $300,000 of 5% 25-year notes dated Aug. 1, 1952, to be offered for subscription by common stockholders. **Price**—At par (in various units as determined by the directors). **Proceeds**—For additional working capital. **Office**—212 N. Howard St., Baltimore 1, Md. **Underwriter**—None.

● Huyck (F. C.) & Sons (8/11-15)
July 25 (by amendment) filed 750 shares of $2.75 dividend class A preferred stock (par $50) and 20,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To two selling stockholders. **Business**—Mechanical fabrics for industry and blankets and apparel cloth. **Underwriter**—Kidder, Peabody & Co., New York.

Idaho Maryland Mines Corp.
June 6 filed 200,000 shares of common stock (par $1). **Price**—At market (on the San Francisco Stock Exchange). **Proceeds**—To selling stockholder (Gwendolyn MacBoyle Bechtold, as executrix of the last will and testament of Errol Bechtold, deceased). **Office**—San Francisco, Calif. **Underwriter**—None.

Inland Oil Co. (Nev.), Newark, N. J.
Feb. 26 (letter of notification) 599,700 shares of class A common stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For drilling and equipping well and for working capital. **Office**—11 Commerce St., Newark, N. J. **Underwriter**—Weber-Millican Co., New York.

Inland Petroleum Corp., Miami, Fla.
July 17 (letter of notification) 27,500 shares of 6% non-cumulative convertible preferred stock, and 275,000 shares of common stock. **Price**—At par ($10 per share for the preferred stock and one cent per share for the common. **Proceeds**—To purchase oil leases. **Office**—612 Congress Bldg., Miami, Fla. **Underwriter**—None.

Instant Beverage, Inc., Omaha, Neb.
May 6 (letter of notification) 30,000 shares of common stock (no par). **Price** — $5 per share. **Proceeds** — For working capital. **Office**—2716 Country Club Avenue, Omaha, Neb. **Underwriter**—None.

International Technical Aero Services, Inc.
Feb. 15 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—International Terminal, Washington National Airport, Washington, D. C. **Underwriter**—James T. DeWitt & Co., Washington, D. C.

★ Inventors Products, Inc., Bountiful, Utah
July 28 (letter of notification) 500,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For building and other corporate expenses, and to obtain patents. **Office** — 695 North Main St., Bountiful, Utah. **Underwriter**—None.

Jersey Yukon Mines Ltd., Toronto, Canada
March 20 filed 200,000 shares of common stock (par $1). **Price**—$1 per share (Canadian funds). **Proceeds**—For capital payments on property account and option agreements, purchase of machinery and operating expenses. **Underwriter**—None.

Johnston Adding Machine Co., Carson City, Nev.
March 5 (letter of notification) 150,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—To purchase tools and materials and office equipment. **Underwriter**—None.

Junction City (Kansas) Telephone Co.
Feb. 29 (letter of notification) $294,000 of first mortgage 4½% bonds, series A, due Feb. 1, 1977 (in denominations of $1,000 each). **Proceeds**—To retire bank loans. **Underwriter**—Wachob-Bender Corp., Omaha, Neb.

LaPointe-Plascomold Corp.
May 29 filed 230,485 shares of common stock (par $1), of which 190,485 shares are to be offered for subscription by stockholders of record June 18 at rate of one share for each share held, and 40,000 shares are to be issued upon exercise of stock options by officers and employees. **Price**—$2.75 per share. **Business**—Manufacture of television accessories. **Underwriter**—None.

LaPointe-Plascomold Corp.
July 3 (letter of notification) 92,194 shares of common stock (par $1). **Price**—$2.75 per share. **Proceeds**—To reduce accounts payable and for working capital. **Office**—155 W. Main St., Rockville, Conn. **Underwriter**—None.

Lawton Oil Corp., Magnolia, Ark.
June 9 (letter of notification) 100,000 shares of common stock (no par). **Price**—$2.25 per share. **Proceeds**—For exploration work. **Underwriter**—W. R. Stephens Investment Co., Inc., Little Rock, Ark.

★ Lawyers Mortgage & Title Co., N. Y.
Aug. 1 (letter of notification) 45,000 shares of common stock (par 65 cents). **Price**—At the market (about $2.12½ per share). **Proceeds**—To Harry Fromkes, the selling stockholders. **Underwriter**—Arthur I. Korn & Co., New York.

★ Lock Haven (Pa.) Development Co.
Aug. 1 (letter of notification) 70 shares of capital stock (par $50). **Price**—At market (estimated to be approximately $140 per share). **Proceeds**—To Edward Hoberman, the selling stockholder. **Underwriter** — None, but Josephthal & Co. will act as agent.

Louisiana Supply Co., Lake Charles, La.
July 24 (letter of notification) 10,000 shares of capital stock (par $1) to be offered for subscription by present stockholders at rate of one new share for each five shares held. **Price**—$12.50 per share. **Office**—306 Pioneer Bldg., Lake Charles, La. **Underwriter**—None.

● Lunn Laminates, Inc., Huntington, N. Y. (8/14)
July 17 (letter of notification) 149,500 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—For working capital. **Underwriters**—S. D. Fuller & Co. and Vermilyea Brothers, both of New York.

● McCarthy (Glenn), Inc.
June 12 filed 10,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds** — For drilling of exploratory wells, acquisition of leases and for general corporate purposes. **Underwriter**—B. V. Christie & Co., Houston, Tex. **Dealer Relations Representative**—George A. Searight, 50 Broadway, New York, N. Y. Telephone WHitehall 3-2181. **Offering**—Date indefinite. Held up by SEC.

Mineral Exploration Corp., Ltd., Toronto Canada
July 29 filed 2,000,000 shares of common stock, each share to have attached an "A," "B" and "C" warrant, each giving the holder the right to purchase one additional share for each two shares held in two, three, or five years, at $1, $2 and $3 per share, respectively. **Price**—For 2,000,000 shares, $1 per share—Canadian. **Proceeds**—For exploration, development and acquisition of properties. **Underwriter**—Brewis & White, Ltd., Toronto, Canada. Names of United States underwriters to be supplied by amendment.

Monty's Stores, Inc., Seattle, Wash.
May 16 (letter of notification) $100,000 of 7% 10-year convertible bonds (in denominations of $500 and $1,000 each) and 10,000 shares of common stock (par $10). **Price**—At par. **Proceeds**—For working capital and expansion. **Office**—208 Third Ave., South, Seattle, Wash. **Underwriter**—National Securities Corp., Seattle, Wash.

Morrow (R. D.) Co., Inc., Pittsburgh, Pa.
May 5 (letter of notification) 10,000 shares of 5% cumulative convertible preferred stock. **Price**—At par ($10 per share). **Proceeds**—For financing of Master TV antenna systems in apartment houses on a lease basis and for additional working capital. **Underwriter**—Graham & Co., Pittsburgh, Pa.

● Motorola, Inc., Chicago, Ill. (8/11)
July 17 filed 175,921 shares of common stock (par $3) to be offered for subscription by common stockholders on the basis of one new share for each 10 shares held as of Aug. 11; rights to expire on Aug. 25. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Hickey & Co., Chicago, Ill.

Mountain States Power Co. (8/11)
July 7 filed 200,000 shares of common stock (par $7.25). **Proceeds** — To repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Dean Witter & Co. (jointly); Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Lehman Brothers; Blair, Rollins & Co. Inc. **Bids**—To be received up to 10:30 a.m. (CDT) on Aug. 11 at Room 1100, 231 So. La Salle St., Chicago 4, Ill.

Nev-Tah Oil & Mining Co., Salt Lake City, Utah
June 12 (letter of notification) 600,000 shares of common stock (par 5 cents). **Price**—10 cents per share. **Proceeds** — For expansion of operations. **Underwriter** — Cromer Brokerage Co., Salt Lake City, Utah.

★ New Mexico Copper Corp.
July 21 (letter of notification) 496,000 shares of common stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For drilling expenses, new equipment and working capital. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

New Mexico Jockey Club, Albuquerque, N. M.
March 17 filed 1,255 shares of common stock (par $1,000). **Price**—At par. **Proceeds**—To construct racing plant and for working capital. **Underwriter**—None, but Dr. Frank Porter Miller of Los Angeles, Calif., will be "engaged to sell the securities to the public." Statement effective April 5 through lapse of time. Amendment necessary.

Overland Oil, Inc., Denver, Colo.
July 17 (letter of notification) 1,000,000 shares of common stock (par 10 cents). **Price**—20 cents per share. **Proceeds**—To carry on oil exploration program. **Office**—504 Mercantile Bldg., Denver, Colo. **Underwriter**—Forbes & Co., Denver, Colo.

★ Pacific Finance Corp., Los Angeles, Calif. (8/26)
Aug. 4 filed 185,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To increase working capital. **Business**—Automobile sales financing and insurance. **Underwriters**—Blyth & Co., Inc., and Hornblower & Weeks, both of New York.

★ Pacific Western Oil Corp.
Aug. 5 filed 100,000 shares of common stock (par $4). **Price**—At the market. **Proceeds**—To J. Paul Getty, President. **Underwriter** — None, sales to be handled by brokers on the New York Stock Exchange.

Pennsylvania Coal & Coke Corp.
July 23 (letter of notification) 18,612 shares of capital stock (par $10). **Price**—At market, but not less than $13 per share. **Proceeds**—For working capital. **Underwriter**—Blair, Rollins & Co. Inc., New York.

Petroleum Finance Corp.
Feb. 5 (letter of notification) 60,000 shares of common stock (par $1) and 30,000 warrants to purchase 30,000 shares of common stock (warrants exercisable at $7.50 per share on or prior to April 1, 1954). Each purchaser of two common shares will receive one warrant. **Price**—$5 per share. **Proceeds**—For working capital. **Office**—Oklahoma City, Okla. **Underwriter**—George F. Breen, New York.

Phillips Packing Co., Inc., Cambridge, Md.
July 7 (letter of notification) 3,000 shares of common stock (no par). **Price**—At the market (estimated a $7 per share). **Proceeds**—To Levi B. Phillips, Jr., Vice-President, the selling stockholder. **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

Pillsbury Mills, Inc., Minneapolis, Minn. (8/18)
July 29 filed 160,000 shares of common stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—For general funds. **Underwriters** — Goldman, Sachs & Co., New York, N. Y., and Piper, Jaffray & Hopwood, Minneapolis, Minn.

Pure Oil Co., Chicago, Ill.
July 17 filed 85,688 shares of common stock (no par) to be offered in exchange for 471,287 shares of Hickok Oil Corp., class A common stock (par $1) at rate of one Pure Oil share for each 5½ Hickok shares, conditioned upon approval of merger of Hickok into Pure Oil Products Co., a wholly-owned subsidiary of Pure Oil Co. **Underwriter**—None.

Sapphire Petroleums, Ltd., Toronto, Canada
July 3 filed $2,000,000 of 10-year 5% convertible sinking fund debentures due July 1, 1962. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for exploration, acquisition of interests in and development of prospective and proven oil and gas lands and the development of existing properties. **Underwriters**—Frame McFayden & Co., Toronto, in Canada; U. S. underwriters to be named later.

Savoy Oil Co., Inc., Tulsa, Okla.
July 14 (letter of notification) 27,250 shares of common stock (par 25 cents). **Price**—$9.50 per share. **Proceeds**—For general corporate purposes. **Office**—417 McBirney Bldg., Tulsa, Okla. **Underwriter**—None, but shares will be offered by company on New York Curb Exchange.

★ Seneca Oil Co., Oklahoma City, Okla.
July 28 (letter of notification) 100,000 shares of class A stock (par 50 cents). **Price**—$1.75 per share. **Proceeds**—To reduce existing bank loans and for general funds. **Office**—1361 First National Bank Bldg., Oklahoma City, Okla. **Underwriter** — Genesee Valley Securities Co., Rochester, N. Y.

Signal Mines, Ltd., Toronto, Canada
July 14 filed 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration, development, and mining expenses, and to reimburse Maurice Schack, Secretary-Treasurer. **Business**—Quartzite mining. **Underwriter** — Northeastern Securities Co., New York.

Southern Discount Co., Atlanta, Ga.
June 17 (letter of notification) $100,000 of 5% debentures, series F. **Price**—At par. **Proceeds**—For working capital. **Office**—220 Healy Bldg., Atlanta, Ga.

Steak n Shake of Illinois, Inc.
July 11 (letter of notification) 22,000 shares of common stock (par 50 cents) being offered to stockholders of record July 1 (excepting members of the Belt family, who own about 60% of the common stock) at rate of one share for every 20 shares held, with an oversubscription privilege; rights to expire on Sept. 15. **Price**—$3.30 per share. **Proceeds**—For expansion. **Office**—1700 W. Washington St., Bloomington, Ill. **Underwriter**—None.

Storer Broadcasting Co.
May 19 filed 215,000 shares of common stock (par $1), of which 200,000 shares are being sold by certain selling stockholders (170,000 to be offered publicly and 10,000 to certain employees; and 20,000 shares to the underwriters under option agreement) and the remaining 15,000 shares being reserved for sale by company to certain employees. **Price**—Of first 200,000 shares, to be supplied by amendment; of 15,000 shares by company, $10.62½ per share. **Proceeds**—For general corporate purposes. **Underwriters**—Reynolds & Co., New York, and Oscar E. Dooly & Co., Miami, Fla. **Offering**—Temporarily postponed.

★ Stuart-Hall Co., Inc., Kansas City, Mo.
July 30 (letter of notification) 8,333 shares of common stock (par $1). **Price**—$6 per share. **Proceeds**—To increase working capital. **Business**—Stationery manufacturer. **Office**—3710 Main St., Kansas City, Mo. **Underwriter**—None.

Suburban Propane Gas Corp.
July 24 (letter of notification) an unspecified number of shares of common stock (par $1), sufficient to sell for a total of $20,675. **Price**—At market (around $17 per share). **Proceeds**—To SBN Gas Co., the selling stockholder. **Underwriter**—None, but Eastman, Dillon & Co., New York, and/or Bioren & Co., Philadelphia, Pa., will act as brokers.

Sunshine Packing Corp. of Pennsylvania
July 3 filed $1,000,000 of 6% convertible debentures due 1972 (subordinate) and 450,000 shares of common stock (par 50 cents) of which the debentures and 400,000 shares of stock are to be offered in units of $50 of debentures and 20 shares of stock. **Price**—$100 per unit. **Proceeds**—To increase capacity of plant and for working capital. **Underwriter**—Weber-Millican Co., New York. **Offering**—Expected late in August.

Sweet Grass Oils, Ltd., Toronto, Canada
July 29 filed 375,000 shares of common stock (no par). **Price**—To be related to quotation on the Toronto Stock Exchange at time of offering. **Proceeds**—For working capital.

• Texas City Chemicals, Inc. (8/19)
July 23 filed $3,000,000 of 5¼% subordinated sinking fund debentures due Jan. 1, 1963 and 300,000 shares of common stock (no par) to be offered in units of $1,000 debenture and 100 shares of stock. **Price**—To be supplied by amendment (probably at $1,150 per unit). **Proceeds**—For construction of dicalcium phosphate and a contact sulphuric acid plant. **Underwriter**—Glore, Forgan & Co., New York City.

Texas Eastern Transmission Corp. (8/21)
July 28 filed 190,000 shares of first preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For general funds. **Underwriter** — Dillon, Read & Co., New York.

• Texas Gas Transmission Corp. (8/13)
June 19 filed 350,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for expansion program. **Underwriter**—Dillon, Read & Co. Inc., New York.

Texas General Production Co.
June 4 filed 2,500,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—To buy property for oil prospecting. **Office**—Houston Tex. **Underwriter**—To be named by amendment (probably Hemphill, Noyes, Graham, Parsons & Co., New York **Offering**—Tentatively postponed.

Texhead Royalty Co., Houston, Texas
July 17 (letter of notification) $135,000 of 3% income notes, due July, 1962, and 30,000 shares of common stock (par 10 cents) to be offered in units consisting of $9 principal amount of notes and two shares of common stock of this company, together with one $9 note and two common shares of the Wilhead Royalty Co. **Price**—$20 per unit. **Proceeds**—For acquisition of oil and gas royalties in the southwest. **Office** — 415 San Jacinto Bldg., Houston 2, Texas. **Underwriter**—Rotan, Mosle & Moreland, Houston, Tex. (See also Wilhead Royalty Co. below.)

★ Transamerica Corp., San Francisco, Calif.
July 29 (letter of notification) 1,000 shares of common stock (par $2). **Price**—At market. **Proceeds**—To William G. Lagomarsino. **Office**—Montgomery St. at Columbus Ave., San Francisco 11, Calif. **Underwriter**—None.

U. S. Airlines, Inc., Ft. Lauderdale, Fla.
June 30 (letter of notification) 200,000 shares of common stock (par 5 cents) of which 100,000 shares each will be offered in behalf of the company and in behalf of J. A. Wooten, President. **Price**—60 cents per share. **Proceeds**—For working capital. **Address**—P. O. Box 2247, Ft. Lauderdale, Fla. **Underwriter**—None.

Warren-Bradshaw Exploration Co. (8/13)
July 23 filed 300,000 shares of common stock (par $1) of which 150,000 shares will be offered by the company and 150,000 shares by certain selling stockholders. **Price**—To be supplied by amendment (expected around $6.50 per share). **Proceeds**—For general funds and for drilling and developing oil properties. **Underwriters**—Paul H. Davis & Co., Chicago, Ill.; Paine, Webber, Jackson & Curtis, New York; and F. S. Moseley & Co., Boston, Mass.

Whitehead Brothers Rubber Co., Trenton, N. J.
July 2 (letter of notification) 4,540 shares of common stock (par $10) being offered to minority stockholders of record July 15 at rate of one share for each five shares held; rights to expire on Aug. 15. Goodall Rubber Co., parent, will subscribe for an additional 7,490 shares and for any shares not subscribed for by other stockholders. **Price**—$14 per share. **Proceeds**—To modernize plant. **Office**—Whitehead Road, Trenton 4, N. J. **Underwriter**—None.

Wilhead Royalty Co., Houston, Texas
July 17 (letter of notification) $135,000 of 3% income notes due July, 1962, and 30,000 shares of common stock (par 10 cents) to be offered in units consisting of $9 principal amount of notes and two shares of common stock of this company, together with one $9 note and two common shares of Texhead Royalty Co. **Price**—$20 per unit. **Proceeds**—For acquisition of oil and gas royalties in the Williston Basin area. **Office**—415 San Jacinto Bldg., Houston 2, Texas. **Underwriter**—Rotan, Mosle & Moreland, Houston, Tex. (See also Texhead Royalty Co. above.)

Willingham Finance Co., Inc., Augusta, Ga.
July 1 (letter of notification) $150,000 of 6½% subordinate debentures due July 1, 1967, and 30,000 shares of class A common stock to be issued in units of a $1,000 debenture, with a detachable warrant to purchase 200 shares of stock at $1 per share. **Proceeds**—For working capital. **Office**—139-8th St., Augusta, Ga. **Underwriter**—Johnston, Lane, Space & Co., Inc., Savannah, Ga.

Wisdom Magazine, Inc., Los Angeles, Calif.
July 14 filed 6,600 shares of 5% cumulative preferred stock (par $100) and 6,600 shares of common stock (par $10) to be offered in units of one share of preferred and one share of common stock. **Price**—$110 per unit. **Proceeds**—For working capital. **Underwriter**—None.

Working Capital, Inc., Garden City, N. Y.
July 21 (letter of notification) 239,800 shares of common stock (par five cents), with 119,900 common stock purchase warrants attached expiring Sept. 3, 1963 to be sold in units of 100 shares of stock and 50 warrants. **Price**—$125 per unit. **Proceeds**—For working capital. **Underwriter**—W. Harry Young Co., Garden City, N. Y.

Zeigler Coal & Coke Co., Chicago, Ill.
June 19 (letter of notification) 7,000 shares of common stock (par $10). **Price**—$13.25 per share. **Proceeds**—To R. M. Rogers, trustee for Nancy Leiter Clagett and Thomas Leiter. **Office**—21 East Van Buren St., Chicago, Ill. **Underwriter**—Farwell, Chapman & Co., Chicago, Ill.

Prospective Offerings

Aeroquip Corp.
Jan. 4 Don T McKone, Chairman, announced that consideration was being given to the possibility of equity financing. On Feb. 18, stockholders voted to increase the authorized common stock to 1,000,000 from 750,000 shares and to issue 37,500 shares as a 5% stock dividend. **Underwriter**—Watling Lerchen & Co., Detroit, Mich. **Proceeds**—For additional working capital.

Allis-Chalmers Manufacturing Co.
May 12 it was reported company may do some financing, the nature of which has not yet been determined **Underwriter**—Blyth & Co., Inc.

American Barge Line Co.
May 27 stockholders approved a proposal to increase the authorized common stock (par $5) from 330,000 to 430,000 shares and approved a waiver of preemptive rights to subscribe for any of the additional shares. **Proceeds**—To finance purchase of equipment and terminal and warehouse facilities. **Traditional Underwriter**—F. Eberstadt & Co., Inc., New York.

American President Lines, Ltd.
June 12 it was announced Riggs National Bank, Washington, D. C., will advertise for bids within 90 days for the sale of the stock of this company at an upset price of $13,000,000. **Proceeds**—To be divided equally between the government and the Dollar interests. If stock is not sold for $14,000,000 or more, the stock would be divided equally between the two parties, the Government to then dispose of its holdings. **Registration**—Expected within the next two months.

Appalachian Electric Power Co. (9/23)
July 25 it was reported that the company expects to issue and sell $17,000,000 of first mortgage bonds due 1982 and $6,000,000 of serial notes due 1956 and 1957. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Harriman Ripley & Co. Inc. **Bids**—Expected to be received by company at 11 a.m. (EDT) on Sept. 23. **Registration**—Expected about Aug. 27.

Associated Telephone Co., Ltd. (Calif.)
June 9 it was reported company may issue and sell in October about $8,000,000 to $9,000,000 of first mortgage bonds, series H, due 1982. **Proceeds**—For repayment of bank loans and construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Paine, Webber, Jackson & Curtis; White, Weld & Co.

Atlantic City Electric Co.
April 28 it was announced company may sell about $4,000,000 of preferred stock some time this Fall. **Proceeds**—For construction program. **Underwriters**—Probably Union Securities Corp. and Smith, Barney & Co., New York. Debt financing for approximately $3,000,000 planned in 1953.

Banff Oil Co., Ltd. (Canada)
May 6 it was reported company plans to issue and sell an issue of about 1,000,000 shares of common stock. **Proceeds**—For drilling and exploration costs. **Registration**—Expected in near future. **Underwriter** — Lehman Brothers, New York. **Offering**—Expected in August.

Bryn Mawr (Pa.) Trust Co.
July 15 stockholders approved a proposal to increase the authorized common stock (par $5) from 50,000 shares to 70,000 shares. The additional 20,000 shares are being offered for subscription by common stockholders of record July 9 on a 2-for-5 basis; with rights to expire on Aug. 22. **Price**—$25 per share. **Proceeds**—To retire 50,000 shares of 4½% cumulative preferred stock (par $5), and for working capital. **Underwriter**—Laird, Bissell & Meeds, Wilmington, Del.

Byrd Oil Co., Dallas, Tex.
July 22 it was announced stockholders will in the fall receive the right to subscribe for $1,700,000 of 5½% first mortgage (convertible) bonds on a pro rata basis for a 14-day standby (certain stockholders have waived their rights). **Proceeds**—To repay bank loans and for development and exploration expenses. **Underwriters**—Probably Dallas Rupe & Son, Dallas, Tex.; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill.

• California Electric Power Co. (10/1)
Aug. 5, Albert Cage, President, said "it is planned to issue and sell 350,000 shares of common stock about Oct. 1." Further financing will be carried out early in 1953, the proceeds of which will be used to retire then existing bank loans and use the balance of the proceeds for new construction, etc. It is also planned to call for redemption, shortly after the sale of the 350,000 common shares, the balance of the two convertible preference stock issues (5½% and 5.60%). Any bonds will be sold by competitive bidding and the stock probably through a negotiated sale. Probable bidders for bonds: Halsey, Stuart & Co. Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Salomon Bros. & Hutzler. Underwriters for stock: Probably William R. Staats & Co.; Lester, Ryons & Co.; and Walston, Hoffman & Goodwin.

Carolina Natural Gas Corp.
May 19 company sought FPC authority to a new 40-mile transmission line estimated to cost $3,150,000, to be financed by the issuance of $1,600,000 first mortgage bonds, $750,000 15-year debentures and $800,000 common stock. **Traditional Underwriter** — R. S. Dickson & Co., Charlotte, N. C.

Carolina Power & Light Co. (10/20)
July 17 it was reported company is planning registration late in August of $20,000,000 first mortgage bonds due 1982. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; W. C. Langley & Co. and First Boston Corp. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Equitable Securities Corp.; Smith, Barney & Co. **Bids**—To be opened on Oct. 20.

Central Hudson Gas & Electric Corp.
March 4 it was reported company plans the sale this Fall of about $5,500,000 first mortgage bonds. Latest bond financing was done privately in March, 1951 through Kidder, Peabody & Co.

★ Central Illinois Public Service Co.
July 28 it was reported company plans sale of 50,000 shares of preferred stock (par $100). **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and Union Securities Corp. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

Central Maine Power Co.
May 15 stockholders increased authorized common stock (par $10) from 2,500,000 shares to 3,250,000 shares and preferred stock (par $100) from 300,000 shares to 330,000 shares. It is estimated that additional financing necessary this year will be in excess of $8,500,000.

Century Food Stores, Inc., Youngstown, O.
June 30 it was reported company may issue and sell approximately $300,000 of convertible debentures. **Proceeds** — For expansion program. **Underwriter** — H. M. Byllesby & Co., Chicago, Ill.

Chicago, Milwaukee, St. Paul & Pac. RR. (8/14)
Bids will be received by the company at Room 744, Union Station Bldg., Chicago 6, Ill., up to noon (CDT) on Aug. 14 for the purchase from it of $3,990,000 equipment trust certificates, series QQ, to be dated Sept. 1, 1952,. and to mature in 30 semi-annual instalments of $133,000 each. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Bear, Stearns & Co.

Citizens Utilities Co.
June 16, Richard L. Rosenthal announced that company anticipated doing some permanent financing in 1952, and it was planned that this would be in the form of mortgage bonds and debentures. No common stock financing is presently contemplated.

Columbus & Southern Ohio Electric Co.
April 26 it was announced company expects to enter the permanent financing market later this year with not less than 200,000 shares of new common stock. **Proceeds**—For construction program. **Underwriter**—Dillon Read & Co., Inc., New York.

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Connecticut Light & Power Co.
March 1 it was announced that it is presently estimated that approximately $11,000,000 of additional capital will be required during the latter half of 1952.

Consolidated Gas, Electric Light & Power Co. of Baltimore
Dec. 24 it was stated that company plans to issue and sell both stocks and bonds during 1952 to an amount sufficient to raise approximately $22,000,000. **Underwriters**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and The First Boston Corp. (jointly); Harriman Ripley & Co., Inc. and Alex. Brown & Sons (jointly). The First Boston Corp., Alex. Brown & Sons and John C. Legg & Co (jointly) handled latest common stock financing, while White, Weld & Co. handled last preferred stock sale. **Proceeds**—For new construction.

★ Continental Air Lines, Inc.
Aug. 4 stockholders were to vote on increasing the authorized common stock from 400,000 shares to 600,000 shares. S. B. Redmond, Secretary, stated that "no marketing arrangements of any nature have been made or contemplated at the present time." **Traditional Underwriter**—Lehman Brothers, New York.

Copperweld Steel Co.
April 30 stockholders approved a proposal to increase the authorized indebtedness from $5,000,000 to $15,000,000 (none presently outstanding) and the authorized preferred stock (par $50) to 137,727 shares from 37,727 shares, which are all outstanding. **Traditional Underwriter**—Riter & Co., New York.

Creameries of America, Inc.
April 14, G. S. McKenzie, President, stated that the company may do some long-term borrowing in about two months to finance expansion program. **Traditional Underwriters** — Kidder, Peabody & Co. and Mitchum, Tully & Co.

● Duquesne Light Co.
July 8 stockholders approved a proposal increasing authorized preferred stock (par $50) from 800,000 shares to 1,000,000 shares, of which it is planned to issue about 140,000 shares. **Underwriters** — To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Lehman Brothers; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly).

● Duquesne Light Co.
July 28 it was reported company may issue and sell about $14,000,000 to $15,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Drexel & Co. and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co., Union Securities Corp. and A. C. Allyn & Co., Inc. (jointly); Glore, Forgan & Co.; Harriman Ripley & Co. Inc.

European American Airlines, Inc.
June 11 it was reported company plans to raise an additional $400,000 of equity capital. An issue of $200,000 of capital stock was just recently placed privately at $7.50 per share. **Underwriter** — Gearhart, Kinnard & Otis, Inc., New York.

Food Fair Stores, Inc.
July 17 it was announced stockholders will vote Aug. 19 on increasing authorized indebtedness from $12,000,000 to $25,000,000 and authorized common stock to 5,000,000 from 2,500,000 shares. No immediate issuance of any securities is contemplated. **Traditional Underwriter**—Eastman, Dillon & Co., New York.

Glass Fibres, Inc.
April 7 stockholders voted to increase authorized common stock from 1,000,000 shares (approximately 938,000 shares outstanding) to 1,250,000 shares to provide additional stock for future expansion needs. **Traditional Underwriter**—McCormick & Co., Chicago, Ill.

Globe-Wernicke Co.
March 26 stockholders increased authorized common stock from 300,000 shares (par $5) to 600,000 shares (par $7), placing the company in a position to consider from time to time stock dividends and the giving of stock rights or warrants to present stockholders. **Underwriters**—May include Westheimer & Co., Cincinnati, O. Previous public financing handled by W. E. Hutton & Co. and W. D. Gradison & Co., also of Cincinnati.

Haloid Co.
June 18 it was reported company may sell this Fall an issue of convertible preferred stock. **Traditional Underwriter**—The First Boston Corp., New York.

Harnischfeger Corp.
June 30 stockholders approved proposal to increase authorized common stock from 500,000 shares (285,219 shares outstanding) to 1,000,000 shares (par $10) and to pay a 100% stock dividend on July 25 to common stockholders of record July 18. They also voted to waive their preemptive rights to the remaining authorized but unissued stock.

Houston Natural Gas Corp.
July 29 stockholders approved a proposal to issue 120,000 shares of 5% preferred stock (par $25) with common stock purchase warrants attached to purchase a like number of common shares at $22.50 per share until Sept. 30, 1957. The new preferred shares will be offered first to common stockholders. **Underwriters**—Robert Garrett & Sons, Baltimore, Md.; Kidder, Peabody & Co., New York; and Moroney, Beissner & Co., Houston, Tex. **Offering**—Expected in September.

Idaho Power Co.
Feb. 27 T. E. Roach, President, announced that the company's present plans consist of the sale this summer of about 225,000 additional shares of common stock (par $20), but no preferred stock. **Price**—At a minimum of $35 per share net to company. **Underwriters** — Latest common stock financing in April, 1949, was handled by Blyth & Co., Inc.; Lazard Freres & Co.; and Wegener & Daly Corp. **Proceeds**—To repay bank loans and for construction program.

Industrial Research, Inc., Miami, Fla.
July 15 stockholders were scheduled to approve an offering of 225,000 additional shares of common stock (par $1). **Underwriter** — Barham & Cleveland, Coral Gables, Fla.

Kansas City Power & Light Co.
Jan. 4 company announced that it plans to issue and sell in 1952 about $12,000,000 principal amount first mortgage bonds (this is in addition to present preferred and common stock financing. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Blyth & Co., Inc. and Lazard Freres & Co. (jointly); The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp (jointly); Equitable Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—For new construction.

Lake Shore Gas Co., Ashtabula, Ohio
June 11 company received permission of the Ohio P. U. Commission to issue and sell 10,000 shares of common stock (par $10) $1,450,000 of bonds and $300,000 of promissory notes. **Proceeds**—For expansion program.

★ Long Island Lighting Co.
July 30 it was reported company may sell in September or October an undetermined number of common shares first to stockholders and later in year some additional bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — For common stock, probably Blyth & Co., Inc. and The First Boston (jointly). For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Smith, Barney & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly).

Middle East Industries Corp., N. Y.
Oct. 31 it was announced company plans to expand its capitalization in the near future and to register its securities with the SEC preliminary to a large public offering, the funds to be used to build new industrial projects in Israel.

Minabi Exploration Co., Houston, Tex.
March 21 it was reported early registration is expected of 125,000 shares of common stock. **Proceeds**—To go to certain selling stockholders. **Underwriter** — Moroney, Beissner & Co., Houston, Tex.

Mississippi Power & Light Co.
March 14 it was reported company plans to issue and sell in November an issue of $8,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probably bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. and W. C. Langley & Co. (jointly); Equitable Securities Corp. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.

New England Power Co.
June 26 it was announced company now contemplates an additional issue of first mortgage bonds and common stock in equal amounts, either late in 1952 or early in 1953. **Underwriters**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kuhn, Loeb & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Proceeds**—To repay bank loans (estimated to be $11,500,000 at Dec. 31, 1952).

New Orleans Public Service Inc. (12/15)
July 24 company announced plans to issue and sell $6,000,000 of first mortgage bonds due Dec. 1, 1982. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.; Union Securities Corp. **Registration** — Expected about Aug. 14. **Bids** — Tentatively set for Dec. 15.

Northern Natural Gas Co.
June 24 it was announced that company is considering a possible offering, first to stockholders, of $20,000,000 to $25,000,000 in convertible preferred stock, which may be sold on a negotiated basis. It is also planned to issue and sell $40,000,000 of 20-year sinking fund debentures through competitive sale in October or November, with probable bidders including: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Kidder, Peabody & Co. (jointly).

Parsonnet TV-Film Studios, Inc. (8/11-15)
July 21 it was announced company intends to file in the near future a letter of notification to cover $300,000 of 6% debentures, due 1962, and 120,000 shares of common stock to be offered in units of $100 of debentures and 40 shares of stock. **Price**—$100 per unit. **Proceeds**—For working capital. **Underwriter**—Trinity Securities Corp., New York. **Offering**—Expected week of Aug. 11.

★ Peninsular Telephone Co.
July 30 it was announced company plans issuance and sale in September of 160,000 shares of cumulative preferred stock (par $25). **Proceeds**—For expansion. **Underwriter**—Morgan Stanley & Co., New York.

Permian Basin Pipeline Co., Chicago, Ill.
April 1 company applied to FPC for authority to construct a 384-mile pipeline system from west Texas and eastern New Mexico to the Panhandle area of Texas at an estimated cost of $58,180,000. Probable underwriters for convertible notes and stock; Stone & Webster Securities Corp.; and Glore, Forgan & Co., both of New York.

San Diego Gas & Electric Co.
July 1, L. M. Klauber announced that of the more than $18,000,000 required for capital improvements in 1952, approximately $4,000,000 will become available from depreciation reserves and earned surplus, while the remainder must be secured through the sale of securities.

● Scott Paper Co. (9/8)
July 28 it was reported company plans to offer $25,000,000 of convertible debentures first to stockholders about Sept. 8 for a 15-day standby. **Registration** — Expected about Aug. 15. **Underwriters** — Drexel & Co.; Merrill Lynch, Pierce, Fenner & Beane and Smith, Barney & Co.

Seaboard Air Line RR. (8/13)
Bids will be received at the office of Willkie, Owen, Farr, Gallagher & Walton, 15 Broad St., New York, N. Y., up to noon (EDT) on Aug. 13 for the purchase from the company of $25,000,000 25-year sinking fund debentures due Sept. 1, 1977. **Proceeds** — Part of proceeds may be used in connection with redemption on Aug. 29 of $26,931,800 general mortgage 4½% income bonds due Jan. 1, 2016. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Bear, Stearns & Co.

Socony-Vacuum Oil Co., Inc.
July 18 it was announced company plans to offer to its common stockholders about 3,180,188 shares of common stock (par $15) at the rate of one new share for each 10 shares held. **Proceeds**—For expansion and improvements. **Underwriter**—Morgan Stanley & Co., New York. **Offering**—Not expected before early September.

Southern California Edison Co.
April 18 it was reported company plans to obtain between $25,000,000 and $28,000,000 of new capital through the sale of additional securities. **Proceeds**—For new construction. **Underwriters** — Probably The First Boston Corp.; Harris, Hall & Co. (Inc.) **Offering**—Expected in Fall.

Southern Ry.
July 3 company applied to the Interstate Commerce Commission for authority to issue and sell $46,000,000 of mortgage bonds, without competitive bidding, over a period of about four years. **Proceeds**—For retirement in part of certain outstanding mortgage bonds.

Standard Forgings Corp.
April 25 stockholders approved an increase in authorized common stock from 266,000 shares to 350,000 shares. **Traditional Underwriter**—Shields & Co., New York.

Tennessee Gas Transmission Co. (9/8)
July 9 it was reported that the company plans sale of about $40,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp., and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received on or about Sept. 8.

Texas-Ohio Gas Co., Houston, Tex.
Oct. 17 company applied to FPC for authority to construct a 1,350-mile natural gas transmission line extending from Texas into West Virginia. The project is estimated to cost $184,989,683. **Underwriter**—Kidder, Peabody & Co., New York.

Transcontinental Gas Pipe Line Corp.
March 14 it was reported company plans issuance and sale this Fall of an issue of convertible preferred stock. **Underwriters**—Probably White, Weld & Co. and Stone & Webster Securities Corp., New York.

United Gas Corp.
July 25 it was reported that the corporation may issue and sell in the early Fall $60,000,000 of debentures. **Proceeds**—To retire bank loans and for new construction by company and its subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp., Harriman Ripley & Co., Inc. and Goldman, Sachs & Co. (jointly); Morgan Stanley & Co., White, Weld & Co. and Equitable Securities Corp. (jointly). **Offering**—Expected late in September or early in October.

● Utah Power & Light Co. (10/15)
July 28 it was reported company plans issue and sale of $10,000,000 first mortgage bonds due 1982. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Salomon Bros. & Hutzler; Kidder, Peabody & Co. **Bids**—Tentatively scheduled to be received up to 12 noon (EST) on Oct. 15.

● Utah Power & Light Co. (9/10)
July 28 it was also reported company plans issue and sale of about 165,000 shares of common stock first to common stockholders of record Sept. 10, on a 1-for-8 basis (with an oversubscription privilege); rights to expire Sept. 25. **Underwriter**—None, but if necessary, unsubscribed shares may be sold at competitive bidding. Probable bidders: Blyth & Co., Inc.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; The First Boston Corp.

Virginia Electric & Power Co.
May 26 it was reported company plans issuance and sale later this year of $20,000,000 first and refunding mortgage bonds. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart &

Co. Inc.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly); Stone & Webbster Securities Corp.; Union Securities Corp.; Salomon Bros. & Hutzler.

Washington Water Power Co. (9/30)
July 24 it was reported company plans issue and sale of $30,000,000 first mortgage bonds due 1982. **Proceeds**—To retire part of outstanding bank loans. **Underwriters**—To be determined by competitive bidding. **Probable** bidders: Halsey, Stuart & Co. Inc., Blyth & Co., Inc., Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly). **Registration**—Tentatively scheduled for Aug. 27. **Bids**—To be opened about Sept. 30.

West Coast Pipe Line Co., Dallas, Tex.
July 14, L. M. Glasco, President, announced this company plans to build a 24-inch 953-mile crude oil pipeline between Wink, Tex., and Norwalk, Calif., with construction scheduled to begin in the fourth quarter of this year. The financing, totaling about $101,000,000, is being arranged by White, Weld & Co. and Union Securities Corp., both of New York.

Westcoast Transmission Co., Ltd.
June 14 the Canadian Board of Transport Commissioners conditionally authorized this company, an affiliate of Sunray Oil Corp. and Pacific Petroleums, Ltd., to build a $111,240,000 natural gas pipeline on the Pacific Coast, providing gas reserves were found sufficient to maintain such a line. It was stated that $88,000,000 of first mortgage bonds have been conditionally subscribed for by The First National Bank of New York, The Prudential Insurance Co. of America, The Mutual Life Insurance Co. of New York and the New York Life Insurance Co. and another $28,000,000 is to be provided by the issue and sale of $28,000,000 of junior securities. **Underwriter**—Eastman, Dillon & Co., New York.

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Dealer-Broker Investment Recommendations & Literature

data on **Missouri Pacific Railroad, Pennsylvania Railroad, Phillips Petroleum** and **Union Carbide & Carbon.**

Firth Carpet Company—Bulletin—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

W. R. Grace & Co.—Memorandum—Barnes, Bodell & Goodwin, 257 Church Street, New Haven 10, Conn.

Hoffman Radio—Circular—Raymond & Co., 148 State Street, Boston 9, Mass.

Kuhlman Electric Co. — Memorandum — Cohu & Co., 1 Wall Street, New York 5, N. Y.

Long Beach Unified School District—Bulletin—Bank of America, N. T. & S. A., 300 Montgomery Street, San Francisco 20, Calif. Also available is a bulletin on **Metropolitan Water District of Southern California.**

Ludman Corporation—Bulletin—Sheridan Bogan Paul & Co., Inc., 1528 Walnut Street, Philadelphia 2, Pa.

Middle States Petroleum Corp.—Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Chas. Pfizer & Co.**

Missouri Pacific Railroad Co.—Analysis of reorganization proceedings—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Montana Power Company—Analysis—Kalb, Voorhis & Co., 25 Broad Street, New York 4, N. Y.

National Biscuit Company—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Natural Gas & Oil Corp.—Memorandum—Warren W. York & Co., 203 Market Street, Harrisburg, Pa.

Nuclear Instrument & Chemical Corporation—Circular—Republic Investment Company, Inc., 231 South La Salle Street, Chicago 4, Ill.

Riverside Cement Co.—Analysis and review of the Cement Industry—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Royal Dutch Petroleum Co.—Memorandum—Burnham & Co., 15 Broad Street, New York 5, N. Y.

Southern Pacific Co. — Memorandum — White, Weld & Co., 40 Wall Street, New York 5, N. Y.

Tintic Standard Mining Co.—Analysis—J. A. Hogle & Co., 132 Main Street, Salt Lake City 1, Utah. Also available is an analysis of **Utah Southern Oil Company.**

United States Potash Company—Bulletin—Remer, Mitchell & Reitzel, Inc., 208 South La Salle Street, Chicago 4, Ill.

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Speculators in Sterling

squeeze. This can only be done when the exchanges can fluctuate within a fairly wide range. Now that sterling is pegged speculators have a strong inducement to go short because the limit beyond which sterling cannot appreciate is rigidly fixed at $2.82. When the rate is quoted at its lower limit of $2.78 the maximum risk involved in speculating against sterling is 4 cents per £1. If, on the other hand sterling were allowed to fluctuate within a much wider range the extent of the risk would increase to a corresponding degree.

Notwithstanding this, it would be a mistake to assume that the tactics which were successful in the 'thirties would be successful in the 'fifties. Twenty years ago a depreciation of sterling had its natural limits because it tended to improve the British balance of payments. Today owing to over-full employment, scarcity of raw materials and other reasons, it would be idle to expect an improvement of the balance of payments through an increase of exports that would result from a depreciation of sterling. In existing circumstances there would be no automatic brake to a depreciation. With their primitive instincts speculators are well aware of this. While in the 'thirties a sharp fall in sterling was usually followed by a correspondingly sharp recovery through its effect on exports, today this need not be the case. For this reason the dice woud be loaded today as much against the Exchange Equalization Account as they were loaded against speculators twenty years ago.

In the circumstances, a return to fluctuating sterling cannot be recommended as a solution against speculative movements. The obvious solution would be the extensive use of the facilities of the International Monetary Fund. That is what the Fund is for, and it is most unsatisfactory that such use cannot be made of its extensive facilities.

Our Reporter's Report

Some thumbing of the records probably would be required to turn up the last spell of dullness in the corporate underwriting field comparable to the current dearth of business.

Perhaps the heat has something to do with the prevailing philosophical attitude of parties concerned with such operations, but the fact remains that nobody seems to be greatly disturbed.

As several observers remarked the other day, "there is no business being done and the Street doesn't seem to give a hoot." And, they added, "neither do the major institutions which make up the other half of the capital market."

Recent behavior of the government market has been keeping people in tenderhooks what with the new 2⅜s selling down to a small discount for a time and weakness prevailing in other sections of the group.

The Federal Reserve has not shown any serious disposition to step into the situation though early this week there were indications that it was active in a nominal way in the short end of the list.

With many banks short in reserve and well in debt to the Federal they are not exactly in a position to do much buying of Treasurys even though they may think that current levels are attractive.

Conditions seem to point to the prevalence of a somewhat firmer basic money tone even with the Treasury's current refinancing operations out of the way.

Buyers for 3.35% Yield

Pennsylvania Electric Co.'s $9,500,000 of new 30-year first mortgage bonds marked the only new corporate debt issue of any consequence to reach market during the week. And it was well received.

The company received a total of five bids for the bonds with the successful group paying 100.11 for a 3⅜% coupon rate. Other bids ranged down to 101.80999 for a 3½% rate.

But repriced at 100.47 to yield the buyers a return of 3.35%, the issue was reported to have attracted brisk demand and moved out readily. This brought the comment in some quarters that buyers seemingly would pick up an A-rated bond on a 3.35% yield basis but won't go through that level to get others.

The company's preferred stock, which attracted a series of wide bids, likewise is proving attractive.

Small Business Ahead

Bankers and dealers are reconciled to sustained dullness for several weeks ahead. Next week will bring out only two issues of any size, the largest refunding operation by Seaboard Air Line RR.

The road, on Wednesday, will open bids for $25,000,000 of new 25-year debentures which will provide funds for liquidation of outstanding debts.

On the same day bankers will market an issue of 350,000 shares of additional $5 par common stock of the Texas Gas Transmission Co. which will use the funds so obtained for repayment of outstanding notes and to finance projected new construction.

Remaining Inventories

Considering the limited quantity of unsold corporate bonds on dealers' shelves it seems just as well, at the moment, that potential buyers are not too numerous.

Turning into the current week it appeared that such inventories were down close to $17,500,000, excluding rail equipment issues. And of the total just over $10,000,000 consisted of bonds, the balance being in stocks.

Of the debt securities the bulk was represented by the unsold balance of Georgia Power Co.'s recent offering of 3⅝% bonds. But even here it was indicated that investors are slowly taking the bonds down.

Chas. Scranton Adds

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn.—Herbert E. Brown is now affiliated with Chas. W. Scranton & Co., 137 John Street.

With G. H. Walker

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn.—Dorothy M. Lotker has been added to the staff of G. H. Walker & Co., 118 Bank Street.

Two With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn.—Stanley Borucki and John T. Corcoran are with Waddell & Reed, Inc.

With White, Weld

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—John P. Little has become connected with White, Weld & Co., 74 Elm Street.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Carleton H. Day, Jr. is now associated with Merrill Lynch, Pierce, Fenner & Beane, 10 Post Office Square.

With Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Edward Chalmers, Jr. is now with Renyx, Field & Co.

With Vance, Sanders

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Arthur G. Boardman has become connected with Vance, Sanders & Company, 111 Devonshire Street.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—Margaret A. Nider has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 1319 Franklin Street.

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Trends in Corporate Bond Financing

investment and confirms some while discounting others.

Role of Bond Market in Economic Stabilization Is Analyzed

"Some idea of the stabilizing role of the bond market during business cycles may be gained," says Dr. Hickman, "by comparing turning points in the bond and stock series with turning points in general business cycles. If we take a stand at the point in the general business cycle at which stock offerings turn upward, the financial process typically appears to unfold as follows:

"Soon after the upturn in stock offerings and while general business activity is still falling, the net changes in bond outstandings turn downward. The immediate cause is a rise in extinguishments, possibly induced by the repayment of some funded debt from the proceeds of stock offerings. Since certain corporations are still financing their capital programs via the bond market at this time, bond offerings continue to rise through early business expansion.

"As stock prices become increasingly attractive, corporations turn from bond to stock financing; bond offerings turn downward; and the net changes in bond outstandings continue to fall. These movements persist until a late stage in business expansion, when stock offerings and stock prices fall. In the next stage, proceeds from the stock market are no longer obtainable for the retirement of bonds; bond extinguishments turn downward; and the net volume of bond financing begins to rise."

But the cyclical rule has at least one important exception, which occurred after the stock market collapse of 1929. At first the net volume of bond financing increased in the usual way, Dr. Hickman relates. But in late 1931 the bond market broke badly as the result of tightening of the money markets and a general deterioration of credit. The bond market therefore could not perform its typical contracyclic function at the business trough of 1932.

Bond Defaults Analyzed

For the investor and the student of finance this long-range study offers some practical guides that run counter to impressions often held and expressed. The section on bond defaults is especially illuminating. Dr. Hickman notes that rail bonds dominated the corporate bond market for the first three decades of this century and that one would expect them to occupy a predominant position in corporate bond defaults.

Actually, he states, they accounted for less than half of the total volume of bonds outstanding in default in the majority of the years from 1900 to 1933. Between 1931 and 1940 the status of rail bonds deteriorated rapidly, however, and the percent in default climbed to 27.9 from 0.5. Over the entire period 1900 to 1943, the survey indicates that default experience was best on utility bonds and poorest on bonds in the industrial group.

Continued from first page

The Coming Decline in The Stock Market!

actually being realized in the year 1946. Today, price earnings ratios are modest and dividend yields generous, but the trend of earnings and dividends in prospect is downward. The market made a bad mistake in 1946, as we see in retrospect. The market then was under the delusion that an inevitable depression was imminent. When that delusion was dissipated, the market rose 40% above its 1946 high. The market is now discounting an inevitable inflation which from this point will probably not develop but which, even if it does develop, need not directly affect stock prices.

The chief danger in the stock market today is the level and direction of earnings. When earnings and dividends reach levels never before recorded, as they did in 1950, it takes time for the market to accustom itself to such new levels of income. Buyers and investors have been taught by experience to be wary. They are skeptical of the permanency of record high earnings and dividends. They are especially skeptical when these earnings and dividends after peaking, as they did in 1950, shortly begin to trend downward and persist in their downward trend as has been the case for the past year and a half.

Profit Squeezes

One reason for the fall in earnings has been the burden of mounting taxation, which reduces net available for dividends.

A second contributing cause of the decline has been the profit margin squeeze which set in after the first quarter of 1951. The pressure on margins resulted from rising labor costs and raw material prices and price ceilings imposed by government edict.

In the immediate future — the third quarter of this year — a powerful contributing factor to declining earnings will be the effects of the steel strike, which was protracted and will leave its mark on many industries. The third quarter earnings will not look as bad as they actually are because in the comparable third quarter last year, many corporations accrued taxes that were properly allocable to the first two quarters. Companies were not sure until the third quarter what the new tax law would be and so they had to lump into the third quarter increased tax liability which properly belonged to the first two quarters. Still the earnings will look bad enough even by comparison with a year ago.

Fourth quarter earnings will show sharp improvement because the steel strike will have the effect of throwing a substantial volume of "catch-up" business into the fourth quarter. The "catch-up" boom will probably run over into the first quarter of 1953 too. But "catch-up" business is by definition non-current and the "save the boom" sentiment that it may generate carries an overtone of desperation.

While this "catch-up" boom is occurring, the market will be required to face a series of dividend cuts. Now these cuts may not be marked in terms of the regular rates, but they will almost surely raise havoc with the year-end extras. The temporary upsurge of earnings in reflection of the "catch-up" boom will have difficulty in inspiring confidence in stocks at a time when dividends are being generally reduced.

While the steel strike had created shortages and in that sense has stored up a measure of deferred demand which can be expected to stimulate the economy in the fourth quarter of this year and the first quarter next year, it has also reduced the purchasing power of many people and made for a more cautious attitude with respect to expenditures for durable goods. This is a development which is difficult to measure statistically. There is no known way to predict what the consumer will do with his income. It can be inferred that he will draw on his savings in order to protect his standard of living, but it cannot be said with any assurance that the consumer will draw on his savings in order to raise his standard of living if he thinks that prices will go lower and prosperity may lose its bloom.

The trend of consumer expenditures is usually powerfully influenced by the trend of investment in capital goods and in such other forms of capital conversion into income as government deficit spending, inventory building and net foreign investment. There is nothing reassuring on these counts. The Council of Economic Advisers points out that if business maintains its rate of investment at the current level and if consumers can be attracted by successful advertising and promotion into buying new products, it should be possible to maintain prosperity on an even keel even after defense spending tapers off in mid-1953. However, the fact that it is possible and that it could happen does not alter the probability that it is not likely to work out that way.

Disastrous Taxation

One of the chief reasons in our view that business will not be able to maintain itself on an even keel after 1953 is the disastrous tax policy which, by paralyzing economy and enterprise, has not only aggravated the price inflation of the past few years but has also distorted the pattern of new capital investment to the prejudice of the years that lie immediately ahead.

The excess profits tax that we now have was laid for the most venal of political motives. No economic justification was advanced in support of the measure. It was frankly a vote catcher and apparently a good one. But the revenues it brought into the Federal Treasury were puny compared to the extravagance, waste and inefficiency which it created throughout the private economy. Not only did the tax inflate prices but it had the effect of forcing corporations to anticipate their capital requirements. The government having levied the most discouraging conceivable tax on enterprise and efficiency then finding itself in need of greater industrial resources to meet the challenge of the Korean war and other foreign policy exigencies, turned around and offered industry special subsidies, in the form of Certificates of Necessity, to expand plant and equipment. What the government said to industry in effect was, if you build plants now, we will let you write these plants off in a period of five years. Since you are faced with a tax of 82% on any earnings above an accidental level, it will profit you to build plants at a cost of 18c on the dollar. True, the government was going to encourage this investment in new plant and equipment only in those industries where the expansion would be required for defense reasons. But in practice, much of the expanded plant and equipment inspired by defense needs will eventually find its way into production for the civilian economy. Industry being still competitive in our country, companies were put on notice that if they did not build up their capital equipment as rapidly as possible at the cost of 18c on the dollar, they would later on after the excess profits tax is rescinded, have to pay for their plants at the rate of 50c on the dollar. The incentive was strongly laid upon every management simply in order to keep up with its competitors to build plant and equipment as rapidly as possible and to obtain Certificates of Necessity wherever possible just to make sure that in a future economy their competitors would not have more modern and larger plants than they. As a result, much of the capital investment that might have taken place in the next five years has been telescoped into the past two. This will be compensated by a falling off in the rate of new capital investment in the future, beginning now.

Another effect of the accelerated amortization is to lay a heavy burden of charges on the earnings of the next five years. In the steel and aluminum industries, for example, where the expansion has been enormous, it will be found that the earnings in the next five years will be surprisingly small compared to the volume of business. The amortization charges will be a heavy weight on the reported earnings.

Both because profits are declining and because capital needs have been anticipated, we think it probable that investment in new plant and equipment will decline in the next few years. Unlike 1946 when we had a long deferred need for capital equipment growing out of the restrictions due to the war and the low level of investment during the Thirties, we now have a phase in which capital investment has been overanticipated. In terms of the consumers' requirements, in 1946 we had a period when the consumer had large deferred needs to make up, whereas today most consumer durable goods have been in adequate supply for some time. There appears to be no deferred demand of importance to catch up with.

On top of all that, government defense spending is scheduled to taper off beginning around the middle of 1953.

Downward Price Trend Ahead

Against that background of declining investment in new capital equipment, declining profits, greatly increased productive capacity not only in this country but elsewhere in the world, it is hard to see how the price level in general can rise. The wage increases recently granted in steel, the drought, the temporary shortages induced by the steel strike—these admittedly will have some inflationary impact on the economy in the short run. But the other facts are more persistent and more powerful and they point to mounting supply and no great increase in demand. When prices trend downward the tendency is for the consumer to wait and to save.

I am not of the opinion that any such sequence of events will be allowed to go so far as to cause a major business depression. But a recession of minor proportions is highly probable and the profit margins of industry being as vulnerable as they are, even a minor recession in business could have serious consequences in terms of earnings and dividends of common stocks.

The downward trend in earnings and dividends could be counteracted by such a combination as the following:

(1) Rescission of the excess profits tax in June of next year when it lapses under the terms of the statute.

(2) A considerable expansion in investment in road-building, dams and airports by states and municipalities as well as by the Federal Government.

(3) A decision, probably it would have to be government directed, on the part of big industry to expand plant and equipment wherever possible in spite of the great anticipation of capital requirements that has already taken place under the spur of the excess profits tax.

(4) A highly aggressive advertising campaign that would encourage consumers to spend money that they otherwise would not think of spending. These things might happen. But they are contrary to the probability, which is that there will be some measure of let-down all along the line, from the government right on down to the consumer.

We believe that we see symptoms now of the loss of confidence in the level of earnings and dividends that usually precedes a fall in profits. The low priced stocks have not kept pace with the high priced blue chip stocks during the bull market of the last year and a half. This may mean one of two things: it may mean that the low priced stocks are on the verge of a major advance or it may mean that the high priced stocks will come down. What does it mean when the low priced stocks—the red chips—fail to confirm the advance in the blue chips? It means that the businessmen who run the smaller businesses and own them are not sanguine about the outlook for earnings and dividends in the future. The blue chip stocks may rise because institutional buying influences their trend. The institutions are sometimes able to

Public Utility Securities

By OWEN ELY

Columbia Gas System

Columbia Gas System is the largest of the gas companies, with system revenues of $188 million and over 16 million shares outstanding. With an equity ratio around 50% and a conservative dividend policy, the stock has been a favorite with investors, selling in a comparatively narrow range in recent years.

The stock recently sold around 14⅝, the 1952 range to date being 16⅜-14⅜. The record in recent years has been as follows:

Year	Share Earnings	Dividends Paid	Price Range
1951	$1.06	$.90	16⅜-12½
1950	1.18	.75	14½-11
1949	.84	.71¼	13 - 9⅞
1948	1.04	.75	14⅞-10¼
1947	1.36	.75	12¾-10
1946	1.20	.30	14 - 8½
1945	.98	.20	11½- 4⅛
1944	.93	.20	5¼- 3⅞
1943	.91	.10	5¼- 1⅞
1942	.85	Nil	2½- 1

It is interesting to note that the stock sold at 1 in 1942 when it was earning 85 cents a share—and at 13 in 1949 when it earned 84 cents. During the interim, however, the company had considerably improved its balance sheet and had finally achieved a reasonable dividend payout. It had also divested itself of its interests in two important electric utilities, Dayton Power & Light and Cincinnati Gas & Electric, together with various smaller properties, thus complying with the SEC divestment order under the Public Utility Holding Company Act.

A year or two ago the company had seemed to be "all set" to realize its normal share earning power, possibly in the range of $1.25-$1.50. Business was booming and revenues were increasing at a tremendous rate (29% in 1950 and 18% in 1951). At this point, however, inflation caught up with the company. Producers of natural gas suddenly realized that they were selling their product at ridiculously low prices considering the nationwide market being opened up by the new transcontinental pipe lines. As prices in the field were not subject to uniform or consistent regulation they began to rise sharply, though the effects were slowed by long-term contracts at lower prices. The rapid rise in building costs, in connection with the great expansion program, was also a factor; thus during 1947-51 Columbia spent nearly a quarter of a billion dollars for construction—which if it had been done at 1946 prices would have cost $68 million less. Also in 1951 major items of operating costs were $18 million more than they would have been at 1946 price levels. Still worse, the rise in the price of gas in the field began to accelerate, and by the end of 1952 it is expected that the annual cost of Columbia's purchased gas will be some $16 million more than it was on Dec. 16, 1951.

Over a year ago Columbia recognized that it could no longer absorb these higher costs through larger volume of business and increased efficiency and that something would have to be done about rate increases. Efforts were made to obtain rate increases in the various states in which retail operations are conducted. This proved to be an immense, slow and complicated operation. The system had to deal with the Federal Power Commission (on sales to other utilities), seven state commissions, some 400 local municipal councils in Ohio, etc. Thus, on July 1, 1952, there were eight applications before the FPC, three before state commissions and many local applications in Ohio. At that date the system had been able to put into effect only $2.5 million increased rates out of $17.4 million requested; $5.6 million were also being collected "under bond"—i.e., subject to delayed decisions, which if adverse would require the refunding to customers of the amounts collected under the rate increase. There was a lag of at least six months in obtaining even partial rate relief.

The company recently put out a special pamphlet report to stockholders (from which some of the above data were taken), each page illustrated with varied cartoons of the hare and the tortoise, with the caption "Why the Lag?". It is to be hoped that the various regulatory commissions will study this report carefully and try to speed up their consideration of the various rate applications. In the first quarter of 1952 Columbia earned only 49 cents vs. 65 cents last year; the second quarter figures are not yet out, but presumably will again make a poor showing as compared with last year. This is, of course, believed to be a temporary situation, but nevertheless stockholders don't like to see the margin of safety for the 90-cent dividend rate whittled down. Should the stock show a further decline, it might interfere with the company's huge finance program in connection with its necessary construction program.

take the very long look and if they are satisfied that five years from now the national income of the United States will be on a permanently higher level and that the intermediate cyclical difficulties will by then have been overcome, they can afford to invest for the sake of current yield on the expectation of better prices a long way off. As a matter of fact, many of them are forced by the terms of their charters and indentures to invest funds whenever they have funds to invest, regardless of any liquidity preference that the managers of the trust might personally entertain. But the smaller businessman and the smaller investor are not willing to put their money into the stocks of the smaller companies, as evidenced by the failure of secondary stocks, which are not especially interesting to institutional investors, to rise as they normally do on a broad front when the market is genuinely confident. The ratio of the prices of secondary stocks to the prices of higher priced blue chip stocks has been trending downward steadily for the past six months. The conclusion is warranted, I believe, that confidence in the earnings and dividend outlook is fading and that the higher priced stocks are more likely to decline than are the low priced stocks to rise.

With the loss of confidence I detect a tendency to rely upon such delusions as inflation to put the stock market up. The fact is that inflation inflates stock prices only if it inflates the dividends that stocks pay. Between 1939 and 1949 we had a very considerable inflation in commodity prices and a very considerable depreciation in the purchasing power of the currency. But many stocks went down in price during that decade, including such equities as International Nickel and Howe Sound, which one would expect to be beneficiaries of an inflation trend. The same may be said of Cerro de Pasco. Other industrial stocks also went down or moved sidewise in spite of the depreciation of the currency. L. S. Starrett and Corn Products, for example. In every instance, when it is studied individually, it is found that the stock in question over the long term trended in the same direction as its dividends. Unlike General American Transportation whose dividend rate held fairly steady between 1939 and 1949 and whose price moved in the same sidewise direction, the stock of General Mills moved upward as did the stock of United Fruit, Sharp & Dohme, and many other companies. Still, the only correlation that held consistently was the correlation between dividends and prices. The purchasing power of the currency has nothing to do with it unless the purchasing power of the currency has something to do with the dividends. Where depreciation of the currency causes the dividends to rise, it then causes the price to rise. Where depreciation of currency has no effect on the dividends, it has no effect on the price of the stock. When inflation has the effect of reducing the dividend-paying ability of the stock, it actually causes deflation in the price of the stock, not an inflation.

Popular Delusion Over Oil Stock Values

Yet the most popular single group of stocks in the market today, the petroleum stocks, are being valued not on the basis of their dividends, for the yields paid by petroleum stocks are lower in relation to the yields afforded by other industrial stocks than ever before in the last 15 years, at least. They are being valued by experts on the basis of the estimated number of barrels of petroleum held in storage underground. The reasoning is that oil prices will go up, up, up. Therefore if the investor buys oil underground, he will at his own convenience be able to bring it up above ground, sell it at a price substantially higher than he paid for it and realize the difference as dividend income. The fact that the tranfer of his oil from underground storage to above ground markets may be restricted by proration or by falling prices due to foreign imports, or that the profits on the distribution may be reduced by rising costs, are not being given much consideration. But you don't find investors paying $137 a share for N. Y. Central common stock just because N. Y. Central has a book value of $137 a share. N. Y. Central is worth only 20 in the mind of investors today because 20 is the price that could be supported by the dividend-paying ability of the stock. You don't find investors buying Homestake Mining or Lake Shore Mines or any other gold mining companies on the basis of the tons of ore that are applicable to each share of outstanding stock. You find them valuing these shares on the basis of the earnings and dividends present or in prospect that can be derived from the assets. Yet in the case of the most popular single investment group in the market today, the oil stocks, we find a tendency on the part of investors to value them on the basis of assets rather than earnings and to do so in the delusion that inflation will make them of greater value because of the permanency of the assets.

Vulnerability

In summary, it is recognized that stocks are not high now in relation to traditional price-earnings ratios and to customary dividend yield. But the current rate of earnings and dividends is close to an unprecedentedly high level and the trend has been downward for the past 15 months. We foresee some measure of business recession next year. In view of the vulnerable profit margins, even a relatively minor business recession could be reflected in a far greater decline in earnings and dividends. Hence, though price-earnings ratios are currently not high, current prices may look high in relation to the earnings and dividends that will be reported a year from now.

A loss of confidence in the future of earnings and dividends is noted in the fact that the low priced stocks have for a long time persistently refused to advance with the blue chip stocks, indicating that businessmen and speculators are taking little stock in the future trend of earnings and dividends. Institutional buyers are taking stock but they are doing so in part because they are forced by their charters and indentures to invest.

Finally, as confidence wanes, we find symptoms of delusion in the reliance that the market is placing upon inflation to bolster equity prices. This is now being rather strikingly illustrated in the case of the oil stocks, which are the most popular single group among institutional buyers, even though their dividend yields are lower in relation to other industrial yields than ever before in the past 15 years. It is not simply that the yields are lower than other equity yields, but that the valuation process which causes these low yields is based upon the delusion that inflation will of itself put up the prices of these stocks that have permanent assets underground regardless of the trend and level of earnings and dividends. Such delusions usually accompany periods when confidence in future earnings and dividends is on the wane and when earnings and dividends themselves are trending lower.

LEGAL NOTICE

State of New York }
Department of State } ss: 2936

I Do Hereby Certify that a certificate of dissolution of SWEENEY LITHOGRAPH COMPANY, INC. has been filed in this department this day and that it appears therefrom that such corporation has complied with section one hundred and five of the Stock Corporation Law, and that it is dissolved.

Given in Duplicate under my hand and official seal of the Department of State, at the City of Albany, this fifteenth day of July, one thousand nine hundred and fifty-two.

Thomas J. Curran, Secretary of State: By Sidney B. Gordon, Deputy Secretary of State.

The dissolution of this New York State corporation is only a routine procedure; the Company was reincorporated in the State of New Jersey on December 26, 1951, and as of January 1, 1952 the New Jersey corporation became the corporate successor to the dissolved New York State corporation.

With Bosworth, Sullivan

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Chester E. Ryder has joined the staff of Bosworth, Sullivan & Co., Inc., 660 Seventeenth Street. He was formerly with Merrill Lynch, Pierce, Fenner & Beane in their Portland, Oregon, office.

Stuart Ross Joins Dean Witter & Co.

(Special to THE FINANCIAL CHRONICLE)

STOCKTON, Calif.—Stuart Ross has become associated with Dean Witter & Co., 16 North San Joaquin Street. He was formerly with Walston, Hoffman & Goodwin and Mason Brothers.

Joins Forbes & Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert S. Layton has become affiliated with Forbes and Company, First National Bank Building. Mr. Layton was formerly with Sidlo, Simons, Roberts & Co.

With Coburn Middlebrook

HARTFORD, Conn. — Dorothy Bender has been added to the staff of Coburn & Middlebrook, Inc., 100 Trumbull Street.

Newcombe C. Baker

Newcombe C. Baker, Tucker, Anthony & Co., passed away at the age of 56.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Any coal strike before winter is not anticipated by this capital, despite the notice sent by President John Lewis of the United Mine Workers, giving the 60-day notice of termination of the present wage contract in the entire coal industry at the end of September.

Officials point out that in terms of current usage, coal stocks above ground amount to an 84-day supply, the largest supply in terms of use in history.

With a strike later in the year a possibility, coal users are expected to boost their stocks even more between now and the end of September, when a strike technically could take place.

Hence, it is said, there would be little point in an actual walkout of miners before the winter demand picks up. For this reason they expect the negotiation of a coal wage dispute to be a long-drawn out affair.

Originally Lewis served notice only on the Northern operators, whose association is heavily weighted with the "captive" mines owned by the steel companies. Lewis at first ignored the Southern Coal Producers Association. The industry uniformally felt, before the Southerners got their notice, too, that Lewis was striking for a quick agreement with the Northerners, an agreement which he could use to badger the Southerners into line.

By including the Southerners belatedly in the strike notice, Lewis has probably given up hope of a quick agreement with the Northerners, it is said.

* * *

Wilson Wyatt, whom Governor Stevenson named as his campaign manager, is the former Housing Expediter whose most notable achievement in Washington was to force the RFC to make the Lustron loan, whose dismal failure was the subject of some extensive hearings as part of the RFC investigation.

Before the Korean war came along as a mechanism around which to work the planned inflation program, the Administration was desperate for objects of expenditure and inflation - promotion. Housing was the main reliance, and housing must be built regardless of almost any consideration, it was then demanded.

At that time there was a provision of law under which the Housing Expediter could direct the RFC to make a loan to prefab manufacturers. The RFC balked at making the loan to Lustron in view of what RFC said was the small amount of capital put in by the promoters. Wyatt went to the White House and got the RFC ordered to make the initial loan to Lustron. After it made an initial loan of some $15 million, RFC threw in another $20 million or so trying to win back its losses.

* * *

Largely overlooked in the President's Mid-Year Economic Report was the tone of that report on the managed economy.

Although the President and the Administration have long advocated the managed economy the Mid-Year report went into a binge on this subject. The managed economy is successful. It has conquered depressions. It will give the United States four million more employed persons and $100 billion more of "gross national product" by 1960—or this is what Harry Truman says is so.

"The years since World War II have demonstrated that our economic system, reinforced by public policy, has been able to avoid depression by keeping production and consumption reasonably in balance. Some maladjustments have occurred, but these have been remedied in time to prevent calamity," wrote the President.

"Under these circumstances, it is unworthy of this great Nation to regard another depression as unavoidable. Through neglect, we could have one. But we would know what it would cost. We are determined to take all necessary steps to avoid that cost.

"The expansion of the economy which we can achieve within this decade is of a size sufficient, while supporting any foreseeable security programs short of total war, to enable us at the same time to lift progressively the standard of living, to come near to wiping out poverty within our boundaries, and to make our proper contribution toward a more prosperous and a more peaceful world."

Besides this "we have done it" sentiment, another statement of the President was also overlooked. It was that economic aid to foreign nations must be a "long effort" to be carried on after military security of the free world is obtained.

* * *

Now that NPA-DPA have got their orders written setting up a big preference in steel for defense production, and industry representatives have looked over these orders, here are the conclusions:

(1) In spite of the apparent reasonableness of these orders toward civilian production, they are unrealistic.

(2) Defense production never slowed down materially despite the yipping and yelling of defense officials, because the Defense Department in practical effect got these producers heavily overloaded with inventory, way beyond current needs, before the strike.

(3) It will be impossible to boost defense production almost double in the next six months, because that production was in major part going about as fast as it could anyway on inventory.

(4) The set-asides and other priority orders make it impossible for industry producing civilian goods to have any idea what steel supplies will be available to them, before another two months has passed.

(5) In any case there will be chaos and confusion.

(6) Before long the labor unions will come along and rescue civilian producers of durables from the restrictive steel orders, with the help of Democratic candidates for election.

As for the motor industry, it can probably catch up its lost production by the end of the year if NPA allows liberal use of conversion steel. If not, it will be another story. Retail inventories of new passenger cars are said to total about 100,000 units, an average of two cars to a dealer, versus a more normal inventory of 10 to a dealer, or an aggregate of 500,000 cars.

* * *

OPS is all but folding up. Congress cut its administrative appropriations in half, necessitating a laying off of about half the force. The best division chiefs in OPS have been deserting the place as fast as they can.

BUSINESS BUZZ

Because of this, in part, industry expects at least a partial "pass through" of the added costs of steel. In other words, industry expects to be able to pass on with OPS blessing, a considerable part of the added cost of steel allowed since the OPS basic steel price ceiling rise. Another reason for this expectation is that OPS staff officials feel it is justified. The agency is fooling along with some weird formulas to justify the ceiling price rise to fabricators.

Of course there will necessarily be a lot of demagoging by OPS before the "pass through" is official.

* * *

On balance, private speculation around this capital city as to whether Eisenhower or Stevenson will win the election next November is decidedly cautious.

With both candidates relative "moderates," and with both being virtually unknown as to their views, this caution about predicting is natural.

The consensus is that the outcome will be determined by the impression the candidates severally make, by the effectiveness of the organizations they set up, and by the relative genius or blunders of each.

There is a suspicion that neither candidate is a brilliant campaigner, and both confess to the humbleness of not knowing what the arguments are all about.

Both have, of course, their special problems of unifying their dissident parties. Eisenhower has the problem of trying to convince conservative Republicans not only that they should vote for him, but that they should actively work for him.

Stevenson, besides having the problem of wooing the South, has the additional problem of Truman, who insists upon a "give' em hell" for the 100% pure Fair Deal, something that may cause the Illinois Governor no end of embarrassment if Truman follows through with this line.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

With Standard Inv. Co.

(Special to The Financial Chronicle)

PASADENA, Calif.—Theron R. White has become connected with Standard Investment Co. of California, 87 South Lake Avenue.

Boettcher Co. Adds

(Special to The Financial Chronicle)

DENVER, Colo.—Logan Shillinglaw, Jr., has become associated with Boettcher & Company, 828 Seventeenth Street, members of the New York Stock Exchange.

Business Man's Bookshelf

Speculative Merits of Common Stock Warrants — Sidney Fried — Dept. C, R. H. M. Associates, 220 Fifth Avenue, New York 1, N. Y. —$2.00 per copy (or send for free descriptive folder).

COMING EVENTS

In Investment Field

Aug. 22, 1952 (Denver, Colo.)
Bond Club of Denver - Rocky Mountain Group of IBA Summer Frolic at the Park Hill Country Club.

Sept. 5, 1952 (New York City)
Security Traders Association of New York Outing at Richmond County Country Club, Dongan Hills, Staten Island.

Sept. 19, 1952 (Chicago, Ill.)
Municipal Bond Club of Chicago annual field day at the Knollwood Country Club.

Sept. 26, 1952 (Philadelphia, Pa.)
Bond Club of Philadelphia annual field day at the Huntingdon Valley Country Club, Abington, Pennsylvania.

Sept. 28-Oct. 1, 1952 (Atlantic City, N. J.)
American Bankers Association Annual Convention.

Oct. 5-7, 1952 (San Francisco, Calif.)
Association of Stock Exchange Firms Board of Governors Fall meeting at the Mark Hopkins Hotel.

Oct. 8-10, 1952 (Los Angeles, Calif.)
Association of Stock Exchange Firms Board of Governors Fall meeting at the Ambassador Hotel.

Oct. 20-23, 1952 (Miami, Fla.)
National Security Traders Association Convention at the Roney Plaza Hotel.

Oct. 24-27, 1952 (Havana, Cuba)
National Security Traders Association Convention tour.

Nov. 30-Dec. 5, 1952 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Friedman, Brokaw Adds

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Lester G. Mouscher is now with Friedman, Brokaw & Co., 711 St. Charles Street, members of the New York and Midwest Stock Exchanges.

MONDAY ISSUE

The COMMERCIAL and FINANCIAL CHRONICLE

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General Corporation and Investment News

RAILROAD - PUBLIC UTILITY - INDUSTRIAL - INSURANCE - MISCELLANEOUS

Acme Steel Co.—Quarterly Earnings Lower—

	—Quarter Ended— *June 30,'52	*Mar. 31,'52	6 Mos. End. June 30 1952	1951
Net sales	$11,272,365	$16,315,475	$27,587,840	$44,333,254
Operating income	634,165	2,719,951	3,354,116	10,853,801
Federal income taxes	329,766	1,414,375	1,744,141	5,512,665
Fed. excess profits tax	Cr81,086	81,086	------	1,231,493
Net income	$385,485	$1,224,490	$1,609,975	$4,109,643
Earnings per share	$0.19	$0.62	$0.81	$2.07

*First six months 1951 figures revised to reflect year-end adjustments.—V. 176, p. 325.

Adams-Millis Corp.—Earnings—

6 Months Ended June 30—	1952	1951	1950
Net sales	$6,645,299	$7,013,093	$5,509,825
Proft before income taxes	448,306	975,317	522,408
Prov. for Fed. & State income taxes	238,520	506,498	219,150
Net profit	$209,786	$468,819	$303,258
Dividends paid	156,000	234,000	234,000
Capital shares outstanding	156,000	156,000	156,000
Earnings per common share	$1.34	$3.00	$1.94

—V. 172, p. 1029.

Affiliated Gas Equipment Co., Inc.—Earnings—

Period End. June 30—	1952—Quarter	—1951	1952—6 Mos.	—1951
Net sales	$12,341,667	$7,158,936	$22,895,752	$16,988,598
Net profit after taxes	268,162	‡98,664	439,039	307,007
Com. shares outstadg.	1,217,870	1,216,020	1,217,870	1,216,020
*Earns. per com. share	$0.20	Nil	$0.32	$0.21

*After preferred dividend requirements. ‡Net loss.—V. 174, p. 1589.

Agnew-Surpass Shoe Stores, Ltd.—Earnings—

Year Ending May 31—	1952	1951
Total volume of business	$11,436,344	$10 320,700
Net sales (excl. intercompany sales)	10,557,455	9,682,396
Net income (before taxes)	924,820	749,831
Income taxes	501,880	347,164
Net income (after taxes)	$422,940	$402,667
Earnings per share	$1.05	$1.00
Dividends paid per share	$0.60	$0.60
Earned surplus at May 31	2,416,693	2,235,519
Net working capital at May 31	2,571,786	*2,419,241
Number of shareholders	1,165	1,120
Number of stores in operation	102	93

*Adjusted.—V. 173, p. 657.

Ajax Petroleums Ltd. (Canada)—Debentures Offered

An offering of $1,700,000 5% convertible sinking fund debentures is being made by Nesbitt, Thomson & Co., Ltd., and Wood, Gundy & Co. Ltd., at 100 and accrued interest to yield 5%.

The debentures are convertible up to and including July 1, 1954, at 500 shares per $1,000 debenture, or at the rate of $2 per share; thereafter up to and including July 1, 1956, at 400 shares, or $2.50 per share; thereafter up to and including July 1, 1958 at 334 shares, or $3 per share; and thereafter to maturity July 1, 1962 at 250 shares, or $4 per share.

The corporation holds 49,000 acres of gas concessions in the Morinville area, 20 miles northwest of Edmonton, and holds varying interests in a further 36,000 undeveloped acres in Alberta and Saskatchewan.

Through a wholly-owned subsidiary, Ajax Alberta Pipeline Ltd., the company is constructing a pipe line from its gas wells in Morinville area to supply the Canadian Chemical Co. Ltd., which has agreed, under contract, to purchase its entire requirements of natural gas (not exceeding 50,000,000 cubic feet per day) for its new petro-chemical plant now under construction near Edmonton. Pipe for the entire gathering system and transmission line, which total approximately 50 miles, has been delivered at Edmonton. It is understood that Canadian Chemical Co.'s daily gas requirements, as presently estimated, will be in the neighborhood of 35,000,000 cubic feet per day.

It is estimated that the pipe line will be capable of delivering a maximum of 35,000,000 cubic feet per day.

Proceeds from the sale of the debentures will be used to provide a major part of the funds required for the construction of the pipe line.

Algonquin Gas Transmission Co.—Private Placement—

The company has received SEC authorization to issue and sell $9,734,000 additional first mortgage pipeline bonds, 4¼% series, due Sept. 1, 1971, to three insurance companies which hold its presently outstanding $27,600,000 of 3¾% series bonds, due 1971.

The company also was authorized to issue and sell, pursuant to preemptive rights, 48,660 additional shares of its $100 par common stock; and New England Gas & Electric Association was authorized to purchase 15,610 shares of the stock and to make bank brorowings to finance the purchase. The remaniing shares are to be acquired by Eastern Gas & Fuel Associate and Texas Eastern Transmission Corp. in the respective amounts of 18,760 and 14,290 shares.

The Algonquin company will use the additional funds to meet the presently estimated cost ($51,500,000) of construction of the company's pipeline, including allowances of $420,000 for working capital and $1,164,600 for contingencies.—V. 176, p. 325.

Allied Products Corp. (& Subs.)—Earnings—

6 Months Ended June 30—	1952	1951
Net sales	$8,441,010	$6,186,151
Income after charges	1,423,593	1,163,145
Prov. for est. Fed. taxes on income	1,004,700	686,749
*Net income	$418,893	$476,396
No. capital shares outstanding	260.416	260,416
Earned per share	$1.61	$1.83

*Subject to annual audit and year-end adjustments.—V. 175, p. 2373.

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Miscellaneous Features

Aluminum Co. of America (& Subs.)—Earnings—

6 Months Ended June 30—	1952 $	1951 $
Net sales—Operating revenues	276,509,472	276,611,212
Net profit after taxes	22,688,570	25,411,848
Common shares outstanding	4,891,033	4,890,733
*Earnings per common share	$4.39	$4.94

*After preferred dividends.—V. 176, p. 141.

American Barge Line Co. (& Subs.)—Earnings—

6 Months Ended June 30—	1952	1951
Profit before income taxes	$1,167,054	$722,205
Provision for Federal income taxes	*504,800	279,200
Net profit	$662,254	$443,005
Common shares outstanding	330,000	330,000
Earnings per common share	$2.01	$1.34

*Reflecting a deduction of $166,059 for amortization in excess of normal depreciation. ‡Reflecting a deduction of $90,152 for amortization in excess of normal depreciation.

NOTE—Figures for both periods have been adjusted to conform with current accounting of excess amortization.—V. 175, p. 1857.

American Machine & Foundry Co. (& Subs.)—Earns.

6 Months Ended June 30—	*1952	‡1951
Sales, rentals & royalties	$44,523,000	$21,046,000
†Income before Fed. taxes on income	4,049,000	2,186,000
Provision for Federal income taxes	2,310,000	1,070,000
Net income	$1,739,000	$1,116,000
Equity in undistributed net income of International Cigar Machinery Company, not included in consolidation in 1951	------	190,000
Adjusted net income	$1,739,000	$1,306,000
Dividends on preferred stock	146,000	152,000
Net income available to common stock	$1,593,000	$1,154,000
Common shares outstanding June 30	1,831,399	1,280,506
Earnings per common share	$0.87	$0.90
Average no. of common shares during period	1,440,874	1,200,506
Earnings per common share (on average no.)	$1.11	$0.96

*Includes operations of International Cigar Machinery Co. from 1-1-52 after deducting applicable minority interest; Thompson-Bremer & Co. from 2-1-52 and The Leland Electric Co. division from 6-1-52. †After deducting minority interests in subsidiaries. ‡Includes operations of The Cleveland Welding Co. and Junior Toy Corp. from 4-1-51. —V. 176, p. 141.

American & Foreign Power Co., Inc.—Loans O.K'd—

This company has received SEC authorization to enter into a new loan agreement with certain banks under which $12,500,000 unpaid principal amount of outstanding notes are to be refunded and Foreign Power will have the right to borrow an additional $5,000,000 prior to July 1, 1953. The notes evidencing the refunding will bear 3¾% interest and are to be repaid in ten equal installments payable semi-annually on Dec. 31, and June 30 of each year commencing Dec. 31, 1952 and ending June 30, 1957. Notes representing the $5,000,000 of additional borrowings will bear interest at not less than 3¾% nor more than 4%, and will mature at the same time as the refundnig loan. The additional borrowings will be utilized for advances to subsidiaries for construction.—V. 176, p. 229.

American Potash & Chemical Corp.—Acquisition—

The corporation has acquired Eston Chemicals, Inc., Los Angeles chemical manufacturer, it is announced.

Acquisition of the Eston company, which becomes a division of American Potash & Chemical Corp., was accomplished by issuance of 22,837 shares of the latter's class B stock in exchange for all of the outstanding capital stock of Eston, declared Peter Colefax, President of the American Potash & Chemical Corp.

The Eston firm manufactures agricultural chemicals, including insecticides and fumigants and also produces refrigerants, aerosols and industrial chemicals. Eston has established nation-wide distribution on its line of refrigerants which includes "Freon," methyl chloride, sulfur dioxide and the unique Charg-A-Can Unit. Eston's sales totaled approximately $1,400,000 in the first six months of 1952.

The Eston manufacturing facilities are located at Vernon, Calif., and the company also has a unit at Torrance which produces ethylene dibromide. For several years, Eston has been American Potash & Chemical Corp.'s principal customer for bromine, produced at Trona, Calif.—V. 176, p. 141.

American Service Co.—Earnings—

Six Months Ended June 30—	1952	1951
Net sales	$2,554,799	$2,201,315
Operating costs	2,595,838	2,286,883
Operating loss	$41,039	$85,568
Other income	17,541	25,204
Net loss	$23,498	$60,364

—V. 174, p. 541.

American Telephone & Telegraph Co. — Debentures 99% Subscribed For—Subscriptions to this company's new 12-year 3½% convertible debentures due July 31, 1964 will total approximately $492,000,000, it was announced on Aug. 4. This represents nearly 99% of the amount offered.

The subscription period for the $498,656,300 issue expired on July 31. Final results of the offering, however, will not be available until thousands of subscriptions received on the expiration date have been processed.

Conversion Price of 2¾% Debentures Drops—

The conversion price of the 15-year 2¾% convertible debentures, due Dec. 15, 1961, dropped to $143.84 on Aug. 6.

The reduction—which was from $146 to $143.84—resulted from the issuance of additional shares of AT&T stock to Bell System employees and additional conversion into stock of convertible debentures of other AT&T issues.

This is the third time the conversion price of the company's 1961 convertibles has changed in accordance with provisions of the issue which make the conversion price subject to adjustment under certain conditions. The initial conversion price was $150 per share. In 1949 it became $148 and about two years ago it dropped again to $146.

The 1961 convertibles were issued Dec. 16, 1946 in the amount of $343,087,700. About 44% of them have been converted to date. Conversion privileges will continue through Dec. 14, 1958 unless the debentures are called for previous redemption. They are convertible by surrender of $100 principal amount of debentures per share and payment of the balance of the conversion price in cash, with adjustment for interest and dividends.

Under the Bell System employees' stock plan, additional shares were issued Aug. 5 to about 100,000 employees who completed installment payments on approximately 580,000 shares.

EARNINGS FOR JUNE AND FIRST SIX MONTHS

Period End. June 30—	1952—Month $	—1951 $	1952—6 Mos. $	—1951 $
Operating revenues	23,263,034	21,817,325	141,622,558	132,888,120
Operating expenses	17,010,037	15,141,378	100,837,946	90,330,052
Federal income tax	2,977,000	2,660,000	17,745,000	16,372,000
Other operating taxes	1,313,588	1,286,385	8,101,444	7,942,620
Net operating income	1,962,409	2,729,562	14,938,168	17,643,448
Net after charges	89,410,442	82,337,593	174,946,339	159,018,192

—V. 176, p. 325.